

AN INTERACTIVE PERSPECTIVE OF CHINESE AID POLICY:  
A CASE STUDY OF CHINESE AID TO TANZANIA

By

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To my parents--Shangxiang Zeng and Manli Zhu--for their  
love and inspiration which enable me to pursue my goals.

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## KEY TO ABBREVIATIONS

AFER	Administration of Foreign Economic Relation
APEC	Asia Pacific Economic Cooperation
CFER	Commission for Foreign Economic Relations
COMPLANT	China Complete Plant Export Corporation
CPC	Communist Party of China
DAC	Development Assistance Committee
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
LDCs	Less Developed Countries
MFER	Ministry of Foreign Economic Relations
MFT	Ministry of Foreign Trade
MOFERT	Ministry of Foreign Economic Relations and Trade
MOFTEC	Ministry of Foreign Trade and Economic Cooperation
NIEO	New International Economic Order
OECD	Organization for Economic Cooperation and Development
PRC	People's Republic of China
RMB	Renminbi--Chinese Currency

SAREC	Swedish Agency of Research Cooperation with Developing Countries
TAZARA	Tanzania-Zambia Railway
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

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In this study the interactive learning model is developed and applied in the analysis of Chinese aid policy. Being a process that involves interaction between contextual and cognitional factors in policy making, learning is defined as the shift and reassessment of decision makers' belief and perceptions of domestic and international environment. It is learning that gives leaders lenses to interpret international and domestic situations and to perceive the challenges and opportunities in pursuing their policy goals. Based on the her field research conducted in China and Tanzania, this author explains that the changing reality of the international and domestic environments in the late 1970s and the early 1980s, and the leaders'

learning experiences, are interrelated and interacted in driving the changes of Chinese aid policy.

This dissertation seeks to analyze Chinese aid policy changes from an interactive perspective by applying learning theory with a specific case study of Chinese aid to Tanzania. The shift of Chinese aid policy in the early 1980s came as the result of an interactive learning process in which Chinese leaders' beliefs of pragmatism interacted with the changing domestic and international environmental situations through the policy process with feedback from officials and experts in aid agencies. Experts and officials in aid agencies has become active actors after leaders began to take their information and feedback from the field more seriously and delegate certain responsibility to them. A case of Chinese aid policy to Tanzania is used to further explain the application of the interactive learning model. This study also shows the need and the significance of exploring the integrative approach in policy study.



## CHAPTER 1 INTRODUCTION

### Overview of Chinese Aid

Since its founding in 1949 the People's Republic of China has provided aid in various forms to many countries around the world. Among the recipients of Chinese aid, African countries in general and Tanzania in particular have held a very special place. From 1950 to 1985, China provided aid to 85 countries; 46 of them are African countries (Shi Lin 1989, 55). Among the total of 7712.5 million U.S. dollars Chinese economic aid during the period 1956 to 1987, African countries received 4783.1 million U.S. dollars with Tanzania the largest recipient at 617 million U.S. dollars (Bartke 1989, 7-11). The famous Tanzania-Zambia Railway cost at least 405 million U.S. dollars. At the height of the Tanzania-Zambia Railway project of the early 1970s, approximately two-thirds of the Chinese aid went to Africa (Bartke 1975, 13-16).

China began to provide aid to Tanzania in June 1964 when China and Tanzania signed the first economic and technological cooperation agreement. Until June 1992, Chinese aid to Tanzania included 71 finished aid projects

which were located in agriculture, industry, mining, transportation, infrastructure, health and education, and other sectors. These projects are the showcases of China's ability and sincerity to provide aid in a variety of forms, to meet the needs of the recipients. "In so doing China has won considerable publicity and claim for its aid program and its aid policies. And it has won credibility for its commitment to the poor nations and to Africa" (Copper 1976, 100). In addition to the famous Tanzania-Zambia Railway which is considered the monument of Chinese aid, other Chinese aid projects in other areas are also very impressive. One large agricultural project of Chinese aid--Mbarali Farm successfully planted rice in Tanzania and once met one quarter of the rice demand of domestic market in Tanzania. The Ubungu Farm Implements Plant, built with Chinese aid, supplied 85% of the total hand farm tools in Tanzania for many years (Documents collected at the Office of Chinese Economic Representative in Tanzania).

In the early 1980s, there were significant changes in Chinese aid policy. Chinese government officials began to emphasize that aid should be provided on the basis of China's ability and the practical benefits for the recipient countries. The transition was marked by the shift of the kernel of Chinese aid policy from political internationalism to mutual economic developmentalism. The new aid policy was finalized by the declaration of the four principles on

Chinese aid in January 1983 during Chinese Premier Zhao Ziyang's visit to 11 African countries. These four principles include equality and mutual benefit, stress on practical results, diversity in form, and achievement of common progress. In the official statements around that time, Chinese leaders reiterated that the aid program should reflect the country's ability to help other developing countries without straining its own limited financial and technical resources. Since then no large scale prestige projects, such as the Tanzania-Zambia Railway, have been undertaken. The focus of Chinese aid shifted from political and strategic support to mutual benefit and economic cooperation on the basis of mutual interests. It has been emphasized that aid should suit the needs of economic development in both the recipients and China (Shi Lin 1989, 71).

#### Significance of this Study

Foreign aid has been the largest financial flow to most less developed countries (LDCs) over the past forty years, far exceeding investment by multinational firms (Lumsdaine 1993, 4). Tanzania is among the top recipients of foreign aid in Sub-Saharan Africa. According to the source from United Nations Development Programme (UNDP), between 1986 and 1990, Tanzania received an average of US\$850 million per

year. These aid inflows grew by more than 9 percent per year between 1986 and 1990. External assistance rose from 35 per cent of GNP in 1987 to 48.4 per cent in 1990. As a result, "Tanzania has become increasingly reliant on aid to finance its development and more recently even a considerable percentage of the government's recurrent expenditures" (Faraji, in Rimmer 1993, 119-121). The case of Chinese aid to Tanzania reflects and represents general characteristics of Chinese aid and thus provides the basis for comparison with aid from other countries.

In general, foreign aid is a means by which one country tries to pursue its national interest in the international arena. "Foreign aid is first and foremost a technique of statecraft" (Baldwin 1966, 3). Accordingly foreign aid policy is commonly seen as the extension of foreign policy or as an instrument of foreign policy. "Economic aid has been by far China's most important, and influential, instrument of foreign policy in her dealings with African countries" (Hutchison 1975, 205). Chinese aid deserves special attention for its specific characteristics and lack of academic research. China has provided aid in a very specific way and terms which distinguish itself from other donor countries of the developed world. Despite the extensive scale and peculiarity of Chinese aid, the inquiry in this area is not satisfactory in terms of both systematic theoretical explanation and practical policy analysis.

Foreign aid has been closely intertwined with international politics and economy. With the end of the Cold War, aid provision from the developed world has been falling in real terms and the donor countries have become less generous. As a proportion of the income of donor countries, aid has fallen to only 0.3% of GNP, its lowest level for 20 years. In spite of stated commitments, many donors are giving less in aid as a percentage of their income than in 1992. Overall Development Assistance Committee (DAC) of the OECD donors are now allocating a smaller share of their government spending to development aid than they have in recent years (Randel and German 1995, 3).

According to OECD's definition, aid refers to those flows to countries and multilateral institutions provided by official agencies and governments. Usually aid should serve the purpose of promoting economic development and welfare of the recipients. The falling of aid provision in recent years came with criticism and debate on the past experience of aid provision. The critics mainly argue that there is no good empirical evidence that aid has been beneficial for growth and development. As the Cassen Report claimed, "inter-country statistic analyses do not show anything conclusive about the impact of aid on growth" (Cassen, 1986, 33). Similarly aid to Africa has been ineffective. "To a large extent donor money and foreign loans have been 'eaten'

by the 'nomenclature', the dignitaries of African states rather than invested in worthwhile development projects" (Himmelstrand 1994, 33). Tanzania is considered as being one of the ineffective users of aid. The remarkable increase in external assistance in the period 1973-1981 seems largely to have been wasted (Faraji, in Rimmer 1993, 121).

Since the early 1980s market forces have received increasing emphasis in aid provision on the basis of the economic liberalism represented by economists like Milton Friedman (1970) who argued that the market does better than the state with regard to development. The international response to the development crisis in Africa of the 1980s has been economic stabilization and adjustment programs and later political liberalization programs supported by the donors represented by World Bank and IMF. Under these programs, aid has been more and more used to promote private investment and liberalization of the economy.

It is noticeable that changes in Chinese aid policy took place around the same time period. With more emphasis on economic efficiency, aid should not only help economic and social development of recipient countries but also support domestic economic development in China. This study intends to provide a theoretical framework for analyzing the shift of Chinese aid policy in the early 1980s. In the field of Chinese studies in general, there is a lack of

exploration into cognitive factors in China's policy making. The author attempts to fill this gap by applying her interactive learning model in the analysis of Chinese aid policy. In order to achieve a comprehensive understanding and analysis, this study takes both structural and cognitive factors into account and seeks to provide a synthesis of the interaction between these two sets of factors, particularly in the policy-making process. The interactive learning model provides a synthesis of the interaction of individual Chinese leaders under certain decision-making process with the domestic and international environments that drove the Chinese aid policy changes in the early 1980s. With such efforts, this dissertation attempts to link this study of Chinese aid policy to theories in areas of international relations and public policy.

Very little is known about inside story of Chinese policy making in general because the system has been very much closed to the general public. As Whiting points out,

little primary research in Chinese archival materials has been completed to provide us with an evidential base for understanding the perceptual framework, the organizational interaction, and the political determinants which combine to make foreign policy. Too few detailed case studies exist of specific interactive situations involving the People's Republic of China to lay a foundation for systematic generalization about behavior (Whiting 1989, 251).

In addition to theoretical inquiry, this study tries to provide empirical analysis of the evolution of Chinese aid policy. Research on Chinese aid is relatively rare mainly

due to the practical inconvenience of collecting first-hand information & data, and the lack of access of academic researchers to the official documents and data inside the Chinese government. Fortunately, with the support provided by a multi-national project funded by Swedish Agency of Research Cooperation with Developing Countries (SAREC), the author had the opportunities to conduct interviews with Chinese and Tanzanian officials, and collected first-hand data. With an empirical case of Chinese aid in Tanzania, this study seeks to explain how the interaction between contextual and cognitive factors influenced the changes of Chinese aid policy in the early 1980s. The dissertation seeks to contribute to knowledge and understanding about the policy making and implementation in China. I hope this study to some extent can help to explain China's international behavior in a broad sense.

### Theoretical Framework and Research Design

Any policy change is not simply the result of one source of either structural or cognitive factors. Policy making can be seen as an ongoing interaction between structural factors and decision makers' perceptions of needs, interests, and goals. The approach that integrates structural and cognitive factors can provide a comprehensive



understanding of a state's foreign policy. As Gerner points out,

foreign policy is a highly interactive activity that involves continuous communication and feedback. Any approach that is unable to incorporate time and change in foreign policy will have difficulty accurately explaining why foreign policy occurs in the particular ways it does. Coping with the difficulty of constructing dynamic explanations has been a central problem of many foreign policy studies (Gerner, in Neack 1995, 21).

This study tries to go beyond the conventional framework of structural analysis which focuses on either international system or domestic determinants. One particular attention is given to the interactive relationship between international and domestic environment and the policy makers' perceptions of that environment. The author examines not only the structural factors of domestic changes of Chinese politics and economy and of international environments, but also the cognitive factors including decision makers' beliefs and perceptions on foreign policy in general and Chinese aid policy in particular. By examining the historical evolution of Chinese aid, the author develops a theoretical framework of interactive learning perspective to analyze the changes of Chinese aid policy in the early 1980s.

This study seeks to develop a theoretical framework that takes account both individual leaders and the structural constraints that limit and motivate them. The interactive analytical framework takes into account both

structural factors at domestic and international levels, and the cognitive factors of policy makers in policy-making process as the major determinants that shaped Chinese aid policy in the early 1980s. With a case study of Chinese aid policy toward Tanzania, this study seeks to explain how and under what conditions policy changes happened and how leaders' perceptions and preferences were transformed into governmental policy decisions through a learning process. By analyzing the changes in the international environment, the economic and political developments within China, and the changes in perceptions of the Chinese leadership, this study examines the causal linkage between these three sets of factors and interaction among them, on the one hand, and the transitions of Chinese aid policy in the early 1980, on the other. The study concludes that the shift of Chinese aid policy in the early 1980s occurred as the result of the interaction of leaders' belief of pragmatism with their external structural factors at international and domestic levels.

The author argues that Chinese aid policy changes in the early 1980s resulted from the interactive effects of both structural factors of international and domestic sources and cognitive factors from learning by top-level leaders and officials as well as other actors involved in aid business. From a structural perspective, the shift of priority in China's national policy to economic

modernization marked by the reform and opening policy, combined with international changes, led to the changes in underlying values of previous aid policy. From a cognitive perspective, learning of both leaders at high level and officials at middle and low levels of the government directly brought the policy changes into reality, based on their past experiences in aid practice. Both structural and cognitive factors interact in the way that international and domestic factors influence leaders' cognitive perception and underlining values and beliefs which directly brought about aid policy change through a learning process.

#### Independent Variables

The independent variables of this study include international environment, China's domestic economic and political reform, and the shift of leaders' belief and perceptions of the international and domestic environment.

##### 1) Changes in the international environment

a) China ended its isolation in the world by resuming its membership in the United Nations in 1971. After that, there was declining hostility of the international environment toward China when China began to improve its relations with the United States, the Soviet Union, and other developed countries.

b) With the shift of domestic policy priority toward economic development in the late 1970s, China shifted the

focus of foreign policy from confrontation with the international system to seeking opportunities of economic cooperation within the system;

c) With increasing concern and needs for domestic economic interests, China shifted its focus in relations with developing countries from creation of a political "united front" to mutual economic development.

## 2) Domestic Changes in China's Economy and Politics

a) China took off economic reform with the focus on economic modernization as the national policy priority;

b) China began to pursue an opening policy with the focus on mutual economic benefits in developing relations with other countries;

c) Administration reform of the government with focus on decentralization of power brought about the diversification of participants and more voices from different actors in the aid policy making process.

## 3) Leaders' Beliefs and Perceptions

a) Fundamental belief shifted from dogmatic socialist theory of Marxism to pragmatism under the principle of "seeking truth by facts". With the goal of economic modernization, the aid policy guideline shifted from political internationalism to mutual economic developmentalism;

b) Perceptions of international environment switched from inevitability of world war to the possibility of

avoiding war. The top priority of foreign policy and aid policy became the pragmatic quest for a stable and peaceful international environment and a search for international cooperation opportunities needed for domestic economic development;

c) Rationality of China's national interests is redefined in terms of economic power and benefits. Economic interests replaced political and ideological considerations as the most important factors influencing leaders' perception and decision making in aid policy.

### Propositions

My underlying assumption is that the interaction between structural factors of domestic and international environment and cognitive factors of leaders in policy making process drove the changes of Chinese aid policy in the early 1980s. Based on this assumption, I set forth the following propositions:

1) The end of China's isolation in the world and increasing importance of economic forces in the international system created incentives and opportunities for China to pursue an aid policy oriented toward mutual economic benefits for both donor and recipient countries. Based on the perception that the focus of the international system switched from security concern to economic

competition, China shifted the focus of its aid policy from political considerations to mutual economic benefits;

2) The drive for economic modernization by ways of domestic reform and opening to the outside world increased China's incentives and needs for aid policy changes. The domestic changes pushed the shift of Chinese aid policy from one that sought international political support to one that pursues economic interests;

3) Shift of the leaders' belief and perceptions of international and domestic environment directly shaped the changes of aid policy priorities toward economic benefits and interests:

a) Leaders' perceptions and the policy guideline shifted from dogmatic socialist theory of Marxism to pragmatic principle of market economy which emphasizes economic effectiveness and efficiency. As a result, aid policy is made on the basis of pragmatic considerations embodied in the stated independent foreign policy;

b) The perceptions of international system was transformed from security concern to economic perspective. China began to pursue an international strategy of seeking opportunities of economic cooperation. Accordingly aid policy was made to be compatible with such international strategy;

c) Economic development became the priority of China's national policy. The redefined calculations of China's

national interests drove the shift of aid policy to serve such national economic interests.

In brief, the changing reality of the international and domestic environments set conditions for aid policy changes in China. However, the interaction between structural factors of domestic and international environments and cognitive factors of the policy makers have combined effects in shaping the formation and changes in Chinese aid policy. Among these three independent variables, changes in leaders' beliefs and perceptions are vital in directly driving the shift of Chinese aid policy toward pragmatic economic interests. This assumption can be elaborated further as follows:

- 1) The immediate cause of Chinese aid policy changes came directly from the calculations of the decision makers. Such calculation occurred under the influences of changes in both domestic and international environments. While environmental changes played an important role as conditional constraints in shaping Chinese aid policy, the perceptions of the decision makers directly affected the final outcome of aid policy changes.

- 2) As selective information processors, decision makers did not just respond passively to changes of domestic and international environments. Cognitive capability imposed constraints on the individual leaders' ability to formulate adequate, effective and rational policy decisions. Based on

their belief and perceptions, the decision makers achieved their understanding of aid issues, made their policy choices, and justified their final decisions.

3) Based on the case of Chinese aid to Tanzania, I argue that bureaucrats did not just behave out of personal habits and organizational routines. They played an active role in initiating suggestions for policy changes and solutions to problems on the basis of the feedback and evaluation drawn from their on-site experience of policy implementation. Such initiatives have been increasingly active thanks to the bureaucratic reforms of decentralization and to the softening of the domestic political atmosphere.

### Methodology and Data Collection

The decision-making process in China is not open to the general public. Diplomatic archives and information concerning specific development of events are classified as secret and generally not accessible to the public. All these add to the difficulties of this study. In order to overcome such difficulties, I apply multiple research methods by using investigative interviews, document collection and library research. The document and data sources of this study come from government publications,



organizational archives, public records, personal interviews and observations, and library collections.

I am very appreciative for the support of the SAREC project that provided me with the opportunity to conduct in-depth study and field researches in Tanzania in summer 1994 and in China in spring 1997. The major research materials and document sources came from these two trips of data collection and interviews.

### Interviews and Seminars

I conducted interviews and seminars with people working in various agencies of aid policy making circle in Tanzania and China. They included: a) former and current officials and staff members of different government agencies, particularly the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the Ministry of Foreign Affairs; b) researchers and specialists from the so-called think tanks who were involved in the initial process of policy deliberation and analysis. Such institutions include universities and research institutes.

During my visit to Tanzania in summer 1994, I conducted interviews at the Chinese Embassy and the Office of Chinese Economic Representative in Tanzania which are the major leading agencies in charge of aid business in that country. The interviewees include the Chinese Ambassador to Tanzania and his staff members, Chinese Economic Representative in

Tanzania, Mr. Fu Zhongxin and his staff members. In addition, I also visited the major Chinese aid projects in mainland Tanzania and Zanzibar Island. These projects include Tanzania-Zambia Railway, Mbaral Farm, Friendship Textile Factory, Ubungo Farm Implements Plant in the mainland, and Mahonda Sugarcane Farm and Sugar Refinery on Zanzibar Island. Seminars and discussions were held with officials and experts involved in those aid projects on site.

In spring of 1997, I went to China to conduct interviews with government officials and specialists from both academic and policy making circles. These officials I interviewed were mainly from the Ministry of Foreign Affairs and MOFTEC, particularly African Department under the Ministry of Foreign Affairs and Department of Foreign Aid under MOFTEC. Besides, seminars and discussions were held with researchers and specialists involved in aid policy study. The institutions I visited include the academic research institutes at the Chinese Academy of Social Sciences, the Institute of Contemporary International Relations under State Council, Institute of International Studies under the Ministry of Foreign Affairs, Peking University, and those institutes under the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) including Beijing University of Foreign Trade, Institute of Foreign

Trade Study and Institute of International Cooperation Study.

### Data and Document Collection

I collected major official documents concerning aid policy, including leaders' speeches, official memos, newsletters, internal reports, working papers and special reports. Some basic data and documents were collected from various sources published in China, the United States, Tanzania, and other countries. The materials included government documents and reports, journals, books, statistical year books, and newspapers. Some of the documents are public and were found through ordinary library search and other sources. However, most of the materials were obtained through my field trips to Tanzania and China through the connections with the people working inside the government offices. The field research and interviews I conducted in Tanzania and China were very valuable in providing a concrete picture of the policy making process in China from insiders' perspective.

I also collected some Chinese journals and study reports published by major research institutes in Beijing and other places. Articles by Chinese scholars appearing in these periodicals, though lacking in-depth research, still manage to show the key issues of concern to Chinese academia and the leadership. Both documentary collection and face-

to-face interviews complement each other well. Library research is a complementary source for my research.

### Outline of This Study

This dissertation is organized in eight chapters:

This introductory chapter states the purpose, significance of theoretical inquiry, and research design of the dissertation. It provides the background of this study and lays out the propositions, basic theoretical approach, and research methodology of this dissertation.

Chapter Two outlines the major debate between the structural approach and the cognitive approach in social science study and in foreign policy study in particular. Based on an overview of the current status and major division among schools in the study of foreign policy including Chinese foreign policy, this author explains the advantages and limits of these different schools and provides the justification for her own inquiry for an interactive theoretical framework.

Chapter Three details the theoretical framework of this study which integrates ingredients from structural and cognitive approaches. Based on the analysis of major arguments in policy study, the author further develops the interactive learning model for the analysis of Chinese aid policy with a case study of Chinese aid to Tanzania.

Chapter Four covers the historical evolution of Chinese aid to other countries in general and Chinese aid to Tanzania in particular. It demonstrates the transition and major changes of Chinese aid policy in the early 1980s.

Chapter Five analyses the influences of structural factors in the international and China's domestic environments. It seeks to explain how these structural factors influenced Chinese aid policy making in the early 1980s. The author shows that domestic reforms played a very important role in shaping Chinese aid policy changes in the early 1980s.

Chapter Six focuses on actors in aid policy-making process. It analyses how the interaction of leaders' perception of domestic and international structural factors shaped the Chinese aid policy changes. With focus on the learning of the Chinese leaders, this chapter emphasizes how the interaction between structural factors of both domestic and international environments and cognitive factors of Chinese leaders directly led to the changes of Chinese aid policy in the early 1980s.

Chapter Seven further explains some details of Chinese aid policy changes by using a case study of Chinese aid to Tanzania. The author seeks to apply her own theoretical framework of the interactive learning model in the analysis of Chinese aid policy toward Tanzania.

The final chapter draws the conclusions of the findings of this study. It explains how my case study of Chinese aid to Tanzania contributes to the inquiry for a theoretical framework of an interactive perspective. It further shows the implications of these findings and some possible future research directions.

CHAPTER 2  
THEORETICAL INQUIRY: STRUCTURAL VERSUS  
COGNITIVE APPROACHES

Any theoretical approach in social science study has to address the issue of relationship between structure and agency, or the relationship between human beings and their surrounding environment. Many scholars agree that human agents and social structure are both relevant in the explanations of social behavior of human being. However, they differ in regarding either structure or agents as the core of their theoretical explanation for the cause-effect sequence of a certain social phenomenon.

The Structure-Agency Dichotomy In Theoretical Inquiry

All social scientific theories embody an implicit solution to the "agent-structure problem" which situates agents and social structures in relation to one another (Wendt 1987, 337). The division between structural and cognitive approaches can be traced back to the division between Marx and Weber.

At the very beginning of "The Eighteenth Brumaire of Louis Bonaparte", Karl Marx pointed out, "men make their own

history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past" (Marx 1852, in Marx 1869, 15). This famous statement shows Marx's structuralist stand on the relationship between structure and agency. In general, structuralists argue that history is a process without goals. Changes occur as a result of the accumulation of structural contradictions. Human beings' role within this process is merely to act as bearers of the structures in conflict.

In contrast, Max Weber argued that subjective motivation is central to conduct. According to Weber, to "understand" an action one must "identify a concrete 'motive' or complex of motives 'reproducible in inner experience,' a motive to which we can attribute the conduct in question with a degree of precision" (Weber 1978, 4). Based on this position, the agency-centered cognitive approach argues that history is the process through which human beings constantly make and remake their lives. As Weber argued early of this century,

not ideas, but material and ideal interests, directly govern men's conduct. Yet very frequently the 'world images' that have been created by ideas have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest (Max Weber, "Social Psychology of the World's Religions", in Goldstein and Keohane 1993, 11-12).



As we can see, structuralists focus on structure and what limits and obstacles the structure imposes to human behavior. Cognitive approach argues that ideas of human being shape the agenda in ways which may shape outcomes. Despite the division between structural and cognitive approaches, more and more scholars include both structural and cognitive factors in their analysis.

### Anthony Giddens' Structuration Theory

In his structuration theory, Anthony Giddens expresses the mutual dependence of structure and agency. He argues that structure and agency presuppose one another. Either of them is meaningless if it is isolated from the other. The basic suppositions of structuration theory are built upon the notion of the duality of structure. Here structure refers to the rules and resources implicated in social systems. Social systems have 'structural properties' which are constraining in relation to situated actors. Structure forms 'personality' and 'society' simultaneously. Only within the limits of structures can human agents have the opportunity to pursue their goals in particular directions. Such duality of structure means that the structural properties of social systems are both the medium and the outcome of the practices that constitute those systems (Giddens 1979, 69). According to Giddens,

every process of action is a production of something new, a fresh act; but at the same time all action exists in continuity with the past, which supplies the means of its initiation. Structure thus is not to be conceptualized as a barrier to action, but as essentially involved in its production (Giddens 1979, 69-70).

All social agents are knowledgeable about the social systems which they constitute and reproduce in their action. Human agents are neither cultural dopes nor simply the products of class forces. They have a capacity for self-reflection in day-to-day interaction, a practical often 'tacit' consciousness of what they are doing and an ability under certain circumstances to do it. As Giddens argues, "all actors have some degree of discursive penetration of the social systems to whose constitution they contribute" (Giddens 1979, 5). Social practices are accomplished by knowledgeable human agents with "causal powers." In producing social practices, which make up the visible patterns that constitute society, actors draw upon 'structural properties' (rules and resources) which are themselves institutionalized features of societies.

Although seeing the interdependence of structure and action by saying that structure and agency are constituted in and through recurrent practices, Giddens put his emphasis on structure which is perceived as "both enabling and constraining" (Giddens 1982, 37). As Giddens points out, "we create society at the same time as we are created by it" (Giddens 1984, 14). Obviously Giddens acknowledges that

human being necessarily employ societal properties in the process of human progress. It is emphasized that knowledgeable actors who generate and transform recurrent social practices, which in turn create the visible pattern that constitutes the social system.

### Simon and Lindblom: Bounded Rationality

Cognitive analysis in policy study can be traced back to Simon (1957) and Lindblom (1963) for their examination of rational decision making. Simon is best known for his development of the concepts of "bounded rationality" and "satisfizing" which emphasizes the intellectual limits of human beings. Due to these limits human being cannot reach fully rational decision making. Instead, people satisfice: they examine sequentially the choices facing them until they come upon one that meets their minimum standards of acceptability, one that will "suffice" and "satisfy". Similarly, Braybrooke and Lindblom (1963) recognize that time and resource limit the availability of all pieces of information and on fully comprehensive analysis. While recognizing the constraints produced by certain objective environment, cognitive approach focuses their analysis on the perception of human being.

One of the most popular approaches for describing a political leader's belief system is the 'operational code' developed by Alexander George (1969). He describes the

operational code of a political leader as "a political leader's beliefs about the nature of politics and political conflict, his views regarding the extent to which historical developments can be shaped, and his notions of correct strategy and tactics" (George 1969, 197). This operational code consists of two fundamental types of beliefs--philosophical and instrumental beliefs. Philosophical beliefs refer to assumptions and premises regarding the fundamental nature of politics. Instrumental beliefs refer to beliefs about strategy and tactics concerning political action. The operational code serves as a guide to political decision making: the individual's philosophical beliefs help diagnose the definition of the situation, while the instrumental beliefs affect the likely choice of action (George 1979). Here beliefs are naturally positioned between the environment and behavior by acting as a causal nexus or as a filter through which other factors pass.

Cognitive theory in policy study is about how cognition of individuals can affect the behavior of states in the international system. Scholars in the camp of cognitive approach do not see that environmental factors directly cause behavior. Instead, they argue that the determinant factor in decision making lies in the way individuals perceive, interpret, and process information about their surrounding environmental situation. It is changes in beliefs of individuals who are involved in the policy-making

process that leads to changes in goals, priorities, policies, and, ultimately, policy behavior. As Goldstein and Keohane point out,

ideas influence policy when the principled or causal beliefs they embody provide road maps that increase actors' clarity about goals or ends-means relationships, when they affect outcomes of strategic situations in which there is no unique equilibrium, and when they become embedded in political institutions (Goldstein and Keohane 1993, 3).

According to them, "actions taken by human beings depend on the substantive quality of available ideas, since such ideas help to clarify principles and conceptions of causal relationships, and to coordinate individual behavior" (Goldstein and Keohane 1993, 5). Borrowing this point of view, in next chapter this author develops her interactive learning model to analyze the Chinese aid policy changes from a perspective of interaction between structural and cognitive factors with focus on policy makers' belief and perceptions.

### Theoretical Inquiry in Foreign Policy Analysis

Foreign policy is a special subject which deals with issues across both international and domestic arenas at different levels. As Gerner mentions,

the study of foreign policy is somewhat unusual in that it deals with both domestic and international arenas, jumping from individual to state to systemic levels of analysis, and attempts to integrate all of these

aspects into a coherent whole (Gerner, in Neack 1995, 17).

Despite the diversity in foreign policy analysis, a similar line can be drawn among different schools along the division between structure-oriented and agency-oriented approaches. The division mainly focuses on whether objective structural factors or subjective cognitive factors play determinant roles in policy decision. Although they do not totally exclude the other set of variables in the analysis of policy change, scholars disagree over the extent of importance of these two different sets of variables. For example, realist theory proposes that states make policy and take actions in response to changes in the external environment. Learning theory assigns primacy to beliefs and perceptions of decision makers in the analysis of foreign policy.

#### Structural Analysis in Foreign Policy Study

The study of foreign policy has been strongly influenced by structural theories such as realist and neo-realist theory. According to Carlsnaes, "foreign policy actions become intertwined with their multifarious structural consequences, and together they conjoin in constituting the future dispositions of actors and hence also their intentions and subsequent actions" (Carlsnaes 1992, 261). Among structure-oriented approaches in foreign policy analysis, scholars differ in that either domestic or

international factors have a significant influence on a country's foreign policy. As Segal points out,

there remains a basic tension between the student of international relations who sees the international system as the primary determinant of change in foreign and even domestic policy, and the area specialists who tend to see the domestic environment as the source of reform and each country as unique (Segal, 1990 3).

The structure-oriented approaches can be classified into the following three schools: 1) The first school asserts the primacy of international factors in determining a state's foreign policy; 2) The second school asserts the primacy of domestic factors in determining a state's foreign policy; 3) The third school is represented by James Rosenau's linkage approach. It asserts that both international and domestic factors have influences on a state's foreign policy.

#### International system-driven approach

Structuralists such as Kenneth Waltz consider structural changes of the international system as the determinant of a nation-state's international behavior (Waltz 1979). They attribute variations in state behavior to variations in characteristics of the international system, without considering the domestic influence on foreign policy making. Foreign policy restructuring is essentially dictated by the constraints and opportunities presented to the state by the structure of the international system.

According to Waltz, the international system is composed of a structure and interacting parts. The structure of this system acts as a "constraining and disposing force." International structure reflects the composition and stratification of the interacting units. The distribution of power in the international system is the most critical variable affecting and explaining foreign policy behavior (Waltz 1979,79-96).

#### Domestic-driven approach

The domestic-driven approach searches for domestic factors as explanation for foreign policy actions. It assumes that foreign policy is an extension of domestic politics. Scholars including Stephen Krasner, Helen Milner and Joe D. Hagan consider domestic factors as primary determinants of a state's foreign policy change (Krasner 1976, Milner 1992, Hagan 1994). They maintain that domestic changes or crises lead to a restructuring of the domestic political environment, forcing leaders to adjust or change current foreign policy. Regime change is virtually the only way to achieve profound shifts in a nation's foreign policy. Such domestic political realignment brings new sets of beliefs and interests into the foreign policy making process and drive the change of foreign policy accordingly.

This approach explains foreign policy from the perspective of domestic politics. Particularly the works of Peter Katzenstein (1976) and Stephen Krasner (1978) show the



importance of domestic factors in foreign economic policy. Katzenstein emphasizes that the main purpose of all strategies of foreign economic policy is to make domestic policies compatible with the international political economy. However, he also stated that "the joint impact of international effects and domestic structures thus condition government policy" (Katzenstein 1976, 19). As he argued, "content and consistency of foreign economic policies result as much from the constraints of domestic structures as from the functional logic inherent in international effects" (Katzenstein 1976, 45).

#### The linkage approach

This school argues that the determinants of foreign policy come from both international and domestic sources. As early as 1969 James Rosenau called for a theory of linking internal political processes to the external environments. Such linkage was defined as "any recurrent sequence of behavior that originates in one system and is reacted to in another" (Rosenau 1969, 44). This linkage approach emphasizes the combined effects of domestic and international factors by examining the linkage between domestic political systems and foreign policy behavior. Foreign policy is essentially a mechanism for the state to adapt to changes in its environment (Rosenau 1981).

Putnam (1988) seeks to present a framework for analyzing the combined impact of domestic and international

factors by proposing the two-level-game approach. The two-level-game approach assumes that statesmen are typically trying to do two things at once; that is, they seek to manipulate domestic and international politics simultaneously. According to Putnam, diplomacy is a process of strategic interaction in which actors simultaneously try to take account of and influence the expected reactions of other actors, both at home and abroad. International behavior should be seen as a double-edged process in which every actor tries to take into account expected reactions on both the domestic and international levels. The role of international and domestic factors in the determination of outcomes is simultaneous and mutual. Thus, it is fruitless to debate whether domestic politics really determine international relations, or the reverse.

More and more scholars agree that both domestic and international factors influence the formation of a country's foreign policy. There is now growing acceptance in the study of comparative foreign policy and international relations that in an increasingly complex and interdependent world both domestic and foreign policies and objectives are interwoven in terms of cause and effect, constituting mutually essential parts of any theoretical approach. The question is not whether to combine domestic and international explanations, but how best to do so.

Learning Theory In Foreign Policy Study: The Cognitive View

While structuralist approaches focus on either or both of domestic and international environmental influences and constraints on foreign policy making, the cognitive approaches emphasize the importance of the individuals' beliefs and perceptions for processing and interpreting foreign policy information. There is no deterministic relationship between the environment, the foreign policy process, and the outcome of that process. In contrast to the structuralist approaches, the cognitive approach does not see individuals as passive agents who merely respond to the environmental changes. Instead, it sees that the individuals respond to their environment selectively and act to shape their environment. As Robert Keohane argues,

the way in which leaders of states conceptualize their situations is strongly affected by the institutions of international relations: states not only form the international system; they are also shaped by its conventions, particularly by its practices (Keohane 1989, 6).

As a representation of cognitive approaches, learning theory proposes that a state makes policy and takes actions in accordance with lessons drawn from formative historical experiences. Scholars differ in the definition of learning and its relevance to policy change. In a general and abstract sense, learning consists of change in any individual's cognitive structure as a result of experience or research input from epistemic communities (Haas 1991,

Bennett 1990). Being a change in belief (Levy 1994), learning can bring about change of cognitive structure but does not necessarily bring about policy change. However, other scholars see learning in a more specific perspective. They define learning as a change of behavior as a result of acquisition of information or new knowledge and understanding of certain policy issues (Jarosz and Nye 1993). Learning thus defined equals to policy change and occurs in certain organizational settings such as political institutions and their policy-making processes (Tetlock 1991, Reiter 1994).

#### Learning: a perspective of individual cognition

Individual learning is conceptualized as a shift or change of a person's cognition. The individual learning approach sees learning as the adjustment of the content and structure of foreign policy belief systems of individuals in response to the often equivocal feedback of the international environment. A person's basic beliefs underlie and thus affect the other elements of decision making. For example, they shape activities to collect and select information.

A belief system is defined as "the set of lenses through which information concerning the physical and social environment is received" (Holsti 1962, 244). They "usually include principles and general ideas on the nature of the social and physical environment that constitutes the policy

maker's field of action" (Vertzberger 1990, 114). In this manner, beliefs may shape and constrain decision making by providing a prism or filter through which the world is perceived. According to Alexander George, "beliefs serve as a prism or filter that influences the actor's perception and diagnosis of political situations and that provides norms and standards to guide and channel his choices of action in specific situations" (George 1980, 45). As he further explains, "sophisticated policy makers and academic scholars alike agree that relations among states are shaped by the way in which leaders view each other and, more generally, by their beliefs about the nature of conflict within the international system" (George 1980, 55). Jervis (1976) and Hermann (1980) further suggest that beliefs provide leaders with ways of interpreting the environment, or a map for charting their course. To understand how decision makers cope with the uncertainty intrinsic to world politics, it is necessary to account for the important role of decision makers' beliefs in foreign policy making.

Learning theory explains foreign policy choices from the perspective of the policy makers' belief system and the way they perceive, interpret, and process information about the international situation. In other words, the definition of a problem is crucial in determining the solution chosen. As Steinbruner points out, "it is cognitive operations of the human mind working in interaction with the

organizational structure of the government which set workable limits on highly diffuse decision problems" (Steinbruner 1974, 14). Based on this point of view, this study focuses on Chinese leaders' belief and explains how their beliefs and perceptions shaped the aid policy changes in the early 1980s.

### Organizational learning

From the perspective of organizational theory, learning is viewed as the adjustment of institutional norms and procedures in ways designed to minimize the likelihood of repeating past mistakes and maximize the likelihood of past successes (Breslauer and Tetlock 1991, 54). Organizational learning is "the institutionalization of individually learned lessons into organizational routines and procedures" (Levy 1994, 311). As a "process of detecting and correcting error" (Argyris 1982), the organizational learning process is an interactive process of applying assimilated knowledge to solve organizational problems. Organizations learn "by encoding inferences from history into routines that guide behavior" (Levitt and March 1988, 319). As the new ways of thinking about how to be effective are absorbed into formal procedures, rules, routines, informal communities of practice, the collective memory, and the agency culture, these new ideas are learned by the organization and become part of the organizational institution.

As Argyris and Schon (1978) points out,

organizational learning occurs within the frame of such dialectical processes, which stem from two conditions of organizational life: organizations are necessarily involved in continual transaction with their internal and external environments (that is, in situation) which are continually changing both as a result of forces external to organizations, and as a result of organizational responses to their situations. Second, organizational objectives, purposes, and norms are always multiple and potentially conflicting (Argyris and Schon 1978, 42).

In this regard, learning is more fundamental when it is institutionalized by changes in organizational missions, operating routines and procedures.

#### Integration of individual and organizational learning

Individual learning is a necessary but insufficient condition for organizational learning. Individuals learn from experience, and their inferences from experience influence their behavior. Organizational learning is a process mediated by the collaborative inquiry of individuals, and it is produced through the behavior of individuals acting as agents for the organization. There is no organizational learning without individual learning. In their capacity as agents of organizational learning, individuals restructure the continually changing artifact called organizational theory-in-use. Organizational learning occurs when individuals detect a match or mismatch of outcome to expectation which confirms or disconfirms organizational theory-in-use. It is the individuals who decide and act as agents of organization. However,

individual learning does not necessarily bring about organizational learning. Organizational learning cannot occur until the knowledge held by individuals enter into the stream of distinctively organizational thought and action. Organizations "learn only through individuals who serve in those organizations, by encoding individually learned inferences from experience into organizational routines" (Levy 1994, 287).

Organizational learning occurs when "policy experiences become assimilated into organizational doctrine, structure, decision-making procedures, personnel systems, and organizational commitments" (Lovell 1984, 135). In order for organizational learning to occur, learning agents' discoveries, inventions, and evaluations must be embedded in organizational memory, the images and maps which encode organizational theory-in-use. If this encoding does not occur, individuals will have learned but the organization will not have done so (Argyris and Schon 1978, 19-20). Organizational learning is depending on the organization's ability to see things in new ways, gain new understandings, and produce new patterns of behavior. Furthermore, individual learning has little impact unless those who learn are in a position to implement their preferred policies or to influence others to do so. Political factors determine whose or what kind of learning matters. Shifts in political power determine when conditions are ripe for political



leaders to put their ideas and policy preferences on the political agenda and effect a change in policy. Politics and learning are mutually reinforcing. Political changes facilitate regime learning by providing the impetus, political incentive, and political opportunity for a significant revaluation of assumptions.

### The Study of Chinese Foreign Policy

In general, the study of Chinese foreign policy can be classified into three schools.

#### Domestic-driven Approach

The first school explains the Chinese foreign policy in terms of domestic determinants. It argues that Chinese foreign policy is basically driven by domestic factors and changes within China. According to this school, Chinese foreign policy is just a simple extension of the country's domestic development. This "domestically driven" school has been "the dominant approach in the study of Chinese foreign policy" which generally proceeds from the premise of the primacy of domestic politics (Robinson and Shambaugh 1994, 430). As Holsti pointed out,

most of the variation in Chinese policy can be traced directly to domestic determinants, including demands of the physical environment, influence of the Chinese (particularly the party's) past, the influence of

personality and the demands of economic modernization through socialism (Holsti 1982, 135).

In the analysis of Chinese foreign policy, scholars of this school believe that domestic sources have had a greater impact than international factors in shaping Chinese foreign policy. As Bachman argues, "domestic factors have tended to dominate in the shaping of Chinese foreign policy" (Bachman 1989, 31). This argument happens to be identical with the Marxist-Leninist point of view held by Chinese leaders. In the official statements, Chinese leaders argue that foreign policy is the extension of domestic politics. The aid strategy is mainly considered as the means to serve foreign policy goals. The making of aid policy has been influenced by the priorities of foreign policy which serve domestic needs and ideological perceptions. Similarly some Chinese scholars see Chinese policy-makers act principally out of national interests (Wang Jisi 1994).

Some scholars also emphasize the importance of leaders' perceptions in influencing the country's foreign policy. Levine argues that Chinese foreign policy decision-makers possess both formal and informal belief systems which shape their policy decisions. "Decision-makers' ideas about political reality, whether simple and intuitive or highly complex and formally articulated, structure their environment for choice, inform their consideration of various courses of actions, and provide rationalizations for

the choices that are made" (Levine, in Robinson and Shambaugh 1994, 30).

### International-driven Approach

The second school believes that China's international behavior is determined by its position in the international system. The Chinese foreign policy is a reaction to its international environment. No matter what is going on in the country's domestic politics and economics, China would have to act according to the dynamics of its international environment. As scholars of this school argue, "Chinese foreign policy behavior can best be understood in terms of the constraints imposed upon it by the structure of the international system" (Ng-Quinn 1984, 101).

According to this school, all other variables-- including decision-makers, domestic politics and so on--are relevant only if they cause changes in Chinese capabilities, leading to changes in the distribution of power or the structural transformation in international politics. The question of domestic as against external factors has to be formulated in conditional rather than deterministic terms, prompting one to ask when, where, and in what ways do external systemic factors condition, rather than determine, foreign policy decisions at home.

### Combination of Domestic and International Perspectives

The third school in Chinese foreign policy study lies somewhere between the above two schools. It argues that Chinese foreign policy is determined by both domestic and international environment. The factors that influence Chinese foreign policy no longer fall neatly into the dichotomous categories of domestic versus international variables. Both sets of variables interact during the decision-making and feedback process.

While analyzing China's culture, tradition, politics, social development, and economics, this school also looks at the dynamics of the international system within which China has to act. As a nation-state, China cannot ignore the nature of the contemporary international system. To pursue its national interests, China should act according to its position in the international system. Meanwhile, due to its specific internal structure and conditions, Chinese leaders have to balance their foreign policy with China's domestic developments. As Kim mentions,

the global system with its constraints or opportunities cannot have any significant influence for Chinese foreign policy unless or until it is perceived and acted upon by Chinese foreign policy makers through their own decision-making system. Chinese foreign policy is seen here as the outcome of an ongoing encounter between decision makers' perceptions of needs, interests, and beliefs and their perceptions of the international situation (Kim 1989, 21).

As to the situation of the study of Chinese foreign policy, the inside story of policy making has not been known

to the public. More obviously, the theoretical inquiry in this area is far from satisfactory. The study of Chinese foreign policy has been strongly under the influence of the structural approach in foreign policy study. There is a need to develop an alternative approach in order to capture the dialectics of Chinese foreign policy. This dissertation attempts to fill the gap by combining both structural and cognitive factors with focus on cognitive perspective in the analysis of Chinese aid policy.

### The Search for an Integrative Approach

Foreign policy change may come from various sources such as changes in the international environment, a change in political leadership, domestic changes, or a change in individual beliefs about policy goals and the means to achieve them. Either structural approaches with focus on international and domestic factors or learning theory with focus on individual leaders' perceptions can provide explanations for policy changes from different perspectives. Considering the complexity of foreign policy making, there is the need to develop multi-causal explanations of foreign policy and to engage in some degree of synthesis in order to build a comprehensive understanding of foreign policy. This study intends to make some contributions in theoretical inquiry by developing an integrative theoretical approach to

explain the changes of Chinese aid policy in the early 1980s.

A nation's foreign policy is heavily constrained and influenced by domestic and international conditions. International political change is driven by ideas, as well as by power and interests. It is necessary to incorporate both structural and cognitive factors in the analysis of policy change since the influence of ideas on state policy behavior is mediated by domestic and international structures. Foreign policy is essentially a mechanism for the nation-state to adapt to changes in its environment. Changes in foreign policy are most likely to occur "when developments at home give rise to new needs and wants with respect to their environments, or when developments abroad give rise to potential threats to their essential structures" (Rosenau 1981, 42). As Charles Hermann points out,

changes that mark a reversal or, at least, a profound redirection of a country's foreign policy are of special interest because of the demands their adoption poses on the initiating government and its domestic constituents and because of their potentially powerful consequences for other countries (Hermann 1990, 4).

It also should be noted that individual learning itself can not explain policy change. Nor does all learning get translated into changes in policy. Individual actors may learn from experience but be prevented by domestic, economic, or bureaucratic constraints from implementing their preferred policies. Sometimes political conditions

make it impossible to even raise the issue. The possibility that learning will become a source of policy change depends on the degree of openness of the bureaucratic and political system, the nature and importance of the relevant issues, and other variables. In other words, learning involves in policy making process only if individuals' inferences from experience become embedded in organizational routines and procedures.

Organizational learning is like a cycle in which environmental feedback leads to individual learning, which in turn leads to individual action to change organizational procedures, which then leads to a change in organizational behavior, and which finally leads to further feedback. The processes of organizational learning can be blocked at any point in the cycle. Individuals may fail to learn from the environment. They may learn but be deterred from attempting to institutionalize their new ideas--either due to personal risk or interest consideration. Individuals may try but politically fail to change organizational procedures. They may affect organizational change but such changes might not lead to a change in organizational behavior if those procedures are circumvented by organizational leaders in the future (Levy 1994, 288).

With the recognition of the lack of synthesis of theory, many scholars emphasize the need for multi-causal models incorporating the dynamic interplay between various

factors of theoretical relevance. They call for a further "multi-level, multi-dimensional" research approach (Schraeder, in Rosati, Hagan, and Sampson 1994, 112). It is emphasized that "adequate theories of foreign policy must in all likelihood integrate multiple, interrelated sources of explanation drawn from different levels of analysis (C. Hermann, in Neack 1995, 251-252). In recent years, more attention has been paid to interactions between leaders, the states, and their external environment. "It has become clear that fuller explanations of foreign policy phenomena require multi-level and multi-variable explanatory frameworks" (Hermann and Peacock 1987, 30).

the key to understanding the dynamics of foreign policy is the interaction of the state, the society, and the environment which produces a political process that usually reinforces governmental resistance to change and the maintenance of foreign policy continuity; sometimes, however, it produces contradictions to the status quo that contribute to foreign policy change (Rosati, in Rosati, Hagan, and Sampson 1994, 221).

Human agents and their social structure are inseparable. Neither exists independently of the other. Both are necessary elements in a complete explanation of human behavior or social action. "Foreign policy actions become intertwined with their multifarious structural consequences, and together they conjoin in constituting the future dispositions of actors and hence also their intentions and subsequent actions" (Carlsnaes 1992, 261).

Neither structuralist nor cognitive approaches can provide complete explanations for changes of foreign policy.



While structuralist approaches such as realist and neo-realist theories help us to understand the environmental constraints on policy makers, they ignore cognitive factors as explanatory variable which explain the flexibility of decision maker in choosing and implementing policy. On the other hand, cognitive approaches focus on individual leaders within organizations or government decision making process while ignoring structural factors. Obviously there is a need for an integrative analytical framework that captures the dialectics of the whole picture. Learning might directly affect individual policy preferences, but this needs to be incorporated into certain policy process and environmental conditions to explain how individual beliefs and preferences are transformed into policy decisions. It is necessary to highlight the reciprocal interactions of learning with domestic and international politics. Based on this point of view, in this study I search for an alternative theoretical framework and develop an interactive learning model. The next chapter elaborates this interactive learning model and explain how this model provide appropriate analysis of Chinese aid policy changes in the early 1980s.

### CHAPTER 3 THEORETICAL FRAMEWORK OF AN INTERACTIVE PERSPECTIVE

In this study, an interactive learning model is developed to provide a perspective of interaction between structural and cognitive factors in the analysis of Chinese aid policy. Based on my agreement with Giddens' argument that social action is "co-determined" by the properties of both agents and social structures, I argue that Chinese aid policy changes were not simply determined by structural factors operating at either or both domestic and international levels. From perspective of interactive learning, this study focuses on the importance of individual leaders' beliefs and perceptions in explaining the Chinese aid policy changes. As March and Simon (1959) argued, the level of knowledge of policy makers and information available to them are among the key factors that bound a decision maker.

The interactive learning perspective of this study not only focuses on leaders' perceptions and policy behavior, but also interrelate such perceptions and consequent policy behavior with the domestic and international environmental conditions in the analysis of Chinese aid policy change of the early 1980s. Such an approach provides the synthesis of

both structural and cognitive factors and analyzes the interaction between leaders' cognition and the external structural factors, especially how leaders react to their operational environment through a learning process which under certain circumstances brings about policy changes.

### Learning and Policy Change

#### Policy as Goal-Seeking Behavior

Policy is conceived as goal-seeking behavior (Charles Hermann, in East, Salmore and Hermann 1978, 31). It is defined as a form of action which involves (1) selection of objectives, (2) mobilization of means for achieving those objectives, and (3) implementation in pursuit of the selected objectives. "A basic decision is one which involves the choice of new objectives. These are fundamental decisions which may inaugurate a new policy, reverse a previously established policy, or respond to a new situation in the environment" (Lentner 1974, 174).

Similarly, foreign policy consists of national objectives and the means to achieve them. Foreign policy behavior is defined as "purposive action directed at some external entity(ies) and initiated by individuals who are authoritative governmental decision makers or their representatives" (Salmore, Hermann, Hermann, and Salmore, in

East, Salmore, and Hermann 1978, 196). Foreign policy is essentially a mechanism for a nation-state to adapt to changes in its environment. Thus, governments, in order to survive and move toward their goals, have to balance the internal tensions and external demands to which they are subjected or risk failure and possibly disintegration.

Policy and policy change is made by certain individual decision makers, or the leaders of certain institutions under certain environmental circumstances. Environmental factors always affect policy goals and means by influencing decision makers' perception under certain situation. As Mark Mancall writes,

Policy is made and executed by people who define the world and themselves in terms provided to them by the world view within which they lead their daily lives. The intellectual assumptions, emotional predispositions, cognitive maps, and perceptual structures of the foreign policy-makers are all rooted in the prevailing world view of his society (Mancall 1984, xvii).

Being selective information processors, leaders may replace goals in foreign policy or the means for achieving them as a result of changes in beliefs and perceptions.

Foreign policy change is dependent upon conditions in both the policy-making process, domestic changes, and in the international environment. Learning involves a recognition and perception of changes in both domestic and international environment. Under such changes decision makers can modify their policy goals, expectations, preferences, and decisions. The critical juncture lies in the policy-making

process where the interaction among leaders' perception, domestic factors, and international factors occurs and brings about the formation and changes of policy decisions. According to Charles Hermann, foreign policy changes can be placed on a continuum indicating the magnitude of the shift from minor adjustment changes, through both program and goal changes, to fundamental changes in a country's international orientation. The sources of foreign policy come from individual leaders, bureaucratic advocacy, domestic restructuring, and international changes (Charles Hermann 1990, 3).

Foreign aid policy is seen as the extension or an instrument of a nation's foreign policy. As Holsti points out, foreign policy refers to the planning of actions by policy-makers of a country, based on their own understanding of the domestic and international environment, to solve problems or promote some change in the policies, attitudes, or actions of another state or states (Holsti 1977, 108). Charles Hermann suggests that intervening between the agents of change and actual foreign policy change is decision-making where the "decision process itself can obstruct or facilitate change." According to Hermann,

major shifts in international political and economic systems can pose significant requirements for the modification of foreign policy. But policy makers can either anticipate these international changes, respond just in time, or only after suffering dramatic consequences. Furthermore, policy makers can act as agents of change in the absence of any overwhelming systematic force (Charles Hermann 1990, 13).

### Learning Theory And Policy Analysis

Learning involves significant changes in belief systems, and the more efficient alignment of means to ends (Ziegler 1993, 6). Beliefs are normative ideas that specify criteria for distinguishing right from wrong and just from unjust. Such beliefs may translate fundamental doctrines into certain policy action. Changes in fundamental beliefs of decision makers have a profound impact on their policy behavior. Goldmann classifies three forms of changes or reappraisal: 1) normative reappraisal means that a shift in policy is rooted in a change in the agent's value system; 2) descriptive reappraisal means that a shift in policy is rooted in a change in the definition of prevailing circumstances; 3) theoretical reappraisal is that a shift in policy is a change in causal beliefs (Goldmann 1988, 11).

Perception is "determined by previous experience, present expectations, current fears or desires, and the influences of others" (Papp 1988, 155). Belief is the general guideline that influences leaders' perceptions of international and domestic events, their definitions and estimates of particular situations, and their choice of strategy and actions. This definition of belief is similar to Alexander George's belief system "that explains and justifies a preferred political order for society" (George 1987, 1). In this study, I define learning as the shift of

belief, a kind of fundamental change in perception of the situation and the environment, and new ways of seeing things as the result of experience, observation and interpretation of the reality. Being a dynamic process, learning takes place as the subject reassesses the appropriateness of earlier beliefs, and consequently shifts to a new beliefs.

Scholars classified learning into two different types such as single-loop and double-loop learning (Argyris), adaptation and learning (Haas), and simple and complex learning (Levy). The first type of learning refers to unchanged fundamental beliefs or insignificant change in perception of the situation. The second type refers to significant or fundamental change in perception of the situation. According to Argyris, single-loop learning occurs when there is a match between organization's design for action and the actuality, or when mismatches are corrected by changing actions. Double-loop learning occurs when a mismatch between intentions and outcomes is identified and "corrected in ways that involve the modification of an organization's underlying norms, policies, and objectives" (Argyris and Schon 1978, 3).

Under the situation of single-loop learning or simple learning, current policy goals and means are likely to remain in the instance of a match. When there is a mismatch, the organization strives to realign outcomes within organizational expectations without questioning the

underlying causal mechanisms that precipitated the problem. In contrast, under the situation of double-loop learning or complex learning the underlying assumptions, norms, and objectives of an organization are questioned and challenged. According to Argyris, double-loop learning requires an "organizational inquiry which resolves incompatible organizational norms by setting new priorities and weight of norms, or by restructuring the norms themselves together with associated strategies and assumptions" (Leeuw, Rist and Sonnichsen 1994, 5-6).

To avoid the confusion of different types of learning, this study applied Haas's differentiation between adaptation and learning. Adaptation refers to the fact that one often adapts or changes one's behavior in response to new events without questioning the basic beliefs and underlying values. In adaptation, "behavior changes as actors add new activities (or drop old ones) without examining the implicit theories underlying their programs. The emphasis is on altering means of action, not ends." In learning, both means and ends are questioned: "behavior changes as actors question original implicit theories underlying programs and examine their original values" (Haas 1990, 3). Policy changes can be a process of adaptation which brings about policy decisions under certain environmental circumstances without fundamental shift in policy priority and objectives. But policy changes can also result from learning with



fundamental changes in understanding of cause-effect relations in international politics and shift of organizational goals.

Policy makers have learned when they adopt a new, typically more complex, theory of the causal processes at work in a domain--a theory that guides the selection of objectives and options and that is more realistic than the conceptual framework that previously guided policy (Breslauer and Tetlock 1991, 45). Conditions most likely to lead to learning are "the desirability of finding new cause-effect chains, the possibility of finding them, and the urgency for finding them" (Haas, in Breslauer and Tetlock 1991, 84). Epistemic community members possess a shared set of normative and principled beliefs, shared causal beliefs, shared notions of validity, and a set of common practices associated with a set of problems. According to Haas, "An epistemic community is a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area" (Haas 1992, 3). Such a community exerts influence on policy making primarily in two ways. First, members of these communities exert political influence by "diffusing ideas and influencing the positions adopted by a wide range of actors, including domestic and international agencies, government bureaucrats and decision makers, legislative and corporate bodies, and the public"

(Haas 1992, 2-3). Second, epistemic community members exert direct policy making influence by acquiring bureaucratic positions.

Epistemic communities can insinuate their views and influence national governments and international organizations by occupying niches in advisory and regulatory bodies. This suggests that the applicability of consensual knowledge to policy making depends on the ability of the groups transmitting this knowledge to gain and exercise bureaucratic power (Haas 1992, 4).

When this bureaucratic power is consolidated, then the influence of epistemic communities is institutionalized.

Learning is a new way of calculating interests and evaluating potential outcomes and can lead to policy change under certain circumstances. However, learning is not equivalent to policy change. In addition to learning, many other factors are involved in the policy-making process. Learning is not necessary for policy change, neither is it sufficient for policy change, because not all learning gets translated into changes in policy. Learning entails not only the acquisition of knowledge, but also the restructuring and modification of existing beliefs which interpret experiences. It is learning in which the assumptions underlying the policies and goals of a program are questioned, leading to the possibility of securing new and innovative permanent solutions to problems. People interpret historical experience through the lens of their own analytical assumptions and worldviews. Such different

interpretations result in variations in learning across individuals in the same situation.

### The Interactive Analytical Model of This Study

Learning becomes the mechanism by which ideas come to alter preferences and select policy options. The structural factors cannot have significant influence on policy making unless they are perceived and acted upon by policy makers through the decision-making system. What matters most is how people perceive their interests and means to pursue such interests. However, if preferences do change as a result of new knowledge, it is still important to ask who or what was the source of the knowledge and how this process occurred.

Even if we concede that organizations sometimes maximize, the organizational question is whether the organization has any way of knowing that it has done so. And how does it assess itself on the ultimate question, its fitness for the future (Thompson 1967, 84).

As Ernst Haas points out, "knowledge is a key engine of progress. But it is not the only engine and scientific problem-solving techniques could not find a fertile soil unless material interests and conditions provided appropriate incentives" (Haas, in Rothstein 1991, 191-192). In this sense, the learning theory needs to be supplemented with an exploration of the broader domestic and international environments.

An interactive theoretical framework of this study provides a learning perspective of Chinese aid policy change without excluding the structural factors in the analysis. The author argues that Chinese aid policy changes occurred as the result of an interactive learning process in which top-level leaders and officials in aid agencies, and the domestic and international environment are interacted inseparably.

#### An Interactive Perspective of Learning

Learning is a process whereby values are reassessed and priorities adjusted to the changes of the external environment. Changes in beliefs prompt changes in behavior. An individual modifies or changes his beliefs and behavior as well on the basis of his experience or feedback. However, learning may be blocked by institutional or political constraints. As mentioned earlier, learning is not the only isolated factor that necessarily brings about policy change. Learning occurs when situational appraisals reflect reality which can possibly lead to redefined strategy or objective of policy. Policy change happens when the policy makers come to the conclusion that conditions in the external environment are no longer compatible with the policy makers' objectives and they need to take action to reduce the distance between those conditions and their objectives. The important question is the extent to which

variation in beliefs, or the manner in which ideas are institutionalized in societies, affect political action under circumstances that are otherwise similar. As Goldstein and Keohane argues, "it is not only the set of objective constraints and opportunities that guides action; individuals rely on beliefs and expectations when they select from a range of viable outcomes" (Goldstein and Keohane 1993, 17).

Individuals' behavior follows their beliefs. It is important to pay attention to the ways in which the beliefs and perceptions of foreign policy makers evolve, incorporating and weighing information from the past and recalling it and applying it in the future. Information available plays an important part, not only in terms of when and if such information is recalled, but also in terms of how it is weighted. Individuals' behavior can only be transformed into organizational behavior through a decision process of certain organizational settings. Mostly, policy change occurs when statesmen alter their goal priorities or develop new goals after they believe that current policy based on the beliefs and experiences which fail to serve the needs or interests under the changing circumstances. As W. I. Thomas put it, "If men define situations as real, they are real in their consequences" (Thomas, in Kim 1984, 22). The operational environment of external constraints or opportunities cannot have any significant meaning or

influence for Chinese foreign policy unless or until it is perceived and acted upon by key Chinese decision makers within their own psychological environment. While recognizing the importance of each individual element and the linkage among them, I argue that leaders' perception and their learning process is crucial as a kind of critical juncture for the formation and changes of Chinese aid policy. In other words, Chinese foreign aid policy is the product of an ongoing encounter between decision makers' perceptions and their surrounding domestic and international environment in a learning process.

#### Leaders, Learning and Policy Change

Political leadership is "the interaction of personality, role, organization, task, values, and setting as expressed in the behavior of salient individuals" who can have an effect on policy (Paige 1972, 69). According to Tucker (1981), politics is how political leaders perform three related functions: diagnose a situation, prescribe a course of action, and implement policy. Only state leaders, acting on behalf of the state, are capable of pursuing goal-directed behavior. It is people, not the government, who hold values, define situation and problems, formulate and implement policies. Political leaders' beliefs and motives affect the content of the foreign policy orientation. As M. Hermann argues, "beliefs and motives aid leaders in

interpreting their environment; they provide leaders with maps for charting their course, suggesting appropriate strategies for achieving goals and, at times, the nature of the goals" (M. Hermann, in Walker 1987b, 124).

It is the learning of policy makers that directly leads to changes in decision makers' perceptions of a nation's goals and policy priorities. Obviously, decision makers should recognize changes in the internal and/or external environment before they take actions to modify or change current policies. A significant crisis which threatens organizational goals is often necessary to dislodge beliefs and encourage new thinking. State action is the product of individuals acting on the basis of their own beliefs. An analysis from both individual and organizational perspectives can provide a complete understanding of the policy-making process. Organizations are incapable of acquiring and digesting all available information since the accretion of knowledge is dependent on the capacity for individual learning. Individuals within an organization often compete in the production of information with its own biases, agendas, and objectives. As Kozak argues,

organizational change is neither a technical nor a neutral exercise--it is the object of political pressure, conflict, and turmoil. Reorganizations have political purposes: they are not undertaken simply to conform to abstract principles; they are proposed and adopted not for therapeutic reasons but for political reasons and with political motives (Kozak 1988, 10).

Cognitive theorists assume that "a process of stimulus or information transformation mediates any antecedent-consequent relation in behavior" (Bieri 1971, 178). Policies and decisions must be mediated by political leaders' goals, calculations, and perceptions. It is often impossible to explain crucial decisions and policies without reference to the decision-makers' beliefs about the world and their images of others. The question of learning in foreign policy is directly related to how decision makers perceive the external environment and to whether previous or current policy solutions achieve the objective and priorities of the government.

It is assumed that organizations adapt their behavior in terms of their experience, but that experience requires interpretation. Olsen (1970) argues that a decision-making process is a process of interpretation as well as a process of choice. According to March and Olsen, organizational intelligence, like individual intelligence, is built on two fundamental processes. The first of these is rational calculation, by which expectations about future consequences are used to choose among current alternatives. The second process is learning from experience. March and Olsen (1988) use "cycle of organizational choice" to concept the reciprocal between individuals' cognition and policy outcome. 1) The cognition and preferences held by individuals affect their behavior; 2) the behavior



(including participation) of individuals affects organizational choices; 3) organizational choices affect environmental acts (responses); 4) environmental acts affect individual cognition and preferences (March and Olsen, in March 1988, 337).

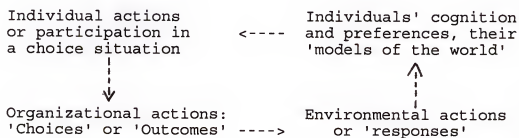


Figure 3-1: March and Olsen's "Cycle of Choice"  
(Source: March and Olsen, in March 1988, 338)

In a similar way, major foreign policy redirection involves dramatic changes in both words and deeds in multiple issue areas with respect to the actor's relationship with external entities. It includes changes at four levels: a) adjustment changes occur in the level of effort which is quantitative; b) program changes are made in the methods or means by which the goal or problem is addressed; c) problem/goal changes means the initial problem or goal that the policy addresses is replaced; d) international orientation changes is the redirection of the actor's entire orientation toward international affairs (Charles Hermann 1990, 5). Foreign policy making can be processed into the following stages: (1) information

collection and interpretation, (2) policy making, and (3) policy implementation. This process is under influences of both international and domestic environments and the beliefs held by the policy makers.

### Interactive Learning and Chinese Aid Policy Change

With interactive learning as the theoretical framework, this study focuses on Chinese leaders' beliefs and perception with their interaction with the environmental factors at domestic and international levels. The belief system serves as a prism through which decision makers view reality. It places certain constraints on the range of foreign policy options, although policy making should be understood in certain organizational contexts and under certain domestic and international settings. The key determinant of policy making is how decision makers perceive the "situation" or "reality." The policy outcome depends how policy makers interpret the policy environment and how they decide to seek for their policy goals in their perceived situation. Similarly, the Chinese foreign policy in general and Chinese aid policy in particular are directly determined by Chinese leaders' perceptions of international and domestic situation which affect their judgement about the challenges and opportunities of surrounding situations to achieve certain policy goals.

This study intends to show that learning is related to the changes of Chinese aid policy in the sense that the immediate cause of foreign policy behavior lies in the calculations and perceptions of decision makers. How decision makers achieve an understanding of a problem, make choices and decisions depends on how they value national interests and current policy goals based on their learning from experience and their belief systems. Learning as the shift of beliefs and perceptions challenges the previous justification for aid provision. As a result, such learning is transformed into policy change when decision makers regard adaptation to the changing environment as necessary.

I apply Rosati's multi-level and multi-variable explanatory frameworks (Hermann, Kegley, and Rosenau 1987, Rosati 1994) in my analysis of changes of Chinese aid policy. As foreign policy reflects the complex interplay of governmental, domestic, and international factors, the dynamics of foreign policy is a cyclical process which

develops from the interaction of the state, the society, and the environment which generally acts to produce a political process that reinforces continuity, but which also eventually produces contradictions to the status quo that contribute to change (Rosati 1994, 222).

According to Rosati, there are three sets of causal dynamics that underlie change and affect continuity in foreign policy: 1) change in global structures and the state's international positions; 2) domestic political realignment; 3) the policy-making process. The first two are essentially

sets of conditions that drive policy restructuring or change. The third set is an intervening variable between external and internal factors and act to condition foreign policy responses to new pressures and opportunities (Rosati 1994, 272).

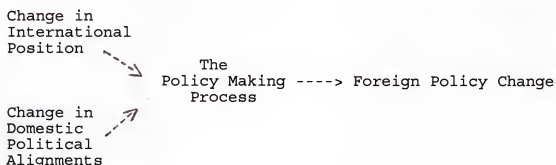


Figure 3-2: Rosati's Model

Based on Rosati's multi-causal framework, I develop my own theoretical model of interactive perspective by combining multi-level structural analysis with learning theory. This study analyzes Chinese aid policy changes with focus on decision makers' beliefs and its reaction to the international and domestic environments. As Levy mentions, learning involves a two-stage process or causal chain: 1) the observation and interpretation of experience lead to a change in individual belief and 2) belief change influences subsequent behavior (Levy 1994, 291). Policy change occurs as the result of learning when underlying values and beliefs are challenged and transformed. In other words, adaptation

leads to policy continuation while learning brings about policy change.

The author argues that it is very necessary to explore cognitive factors that influenced the top level Chinese leaders to define national interests and policy priority in certain ways and to adopt certain policies in pursuit of those interests. In order to achieve a comprehensive understanding and analysis, this study takes both structural and cognitive factors into account and seeks to provide a synthesis of the interaction between these two sets of factors within the linkage of macro-level and micro-level analysis, particularly in the process of policy-making. It intends to provide an analysis of how the interaction of individual leader with changing domestic and international environments drove Chinese aid policy changes.

Considering the complexity of foreign policy, a particular model or theory for explicating foreign policy behavior in one issue-problem area or in one historical period may prove unsatisfactory for explaining such behavior in another issue-problem area in the same or another historical period. As Kim points out, the mediating variables during the decision-making phase

intervene between predecisional independent variables and postdecisional dependent variables to lay the analytic-cognitive basis for the decision makers' definition of the international situation and for the authoritative formulation of foreign policy goals and strategies (Kim 1989, 22).

I make some modifications to Rosati's model by emphasizing the interdependence and interaction among three independent variables in foreign policy changes: First, I see a relationship among three independent variables (the changing international environment, the domestic social and economic developments within China, and the changes in perceptions of the Chinese leadership) as an interaction relation rather than one-way determinant relation; Secondly, I emphasize the importance of cognitive factors which were directly related with Chinese aid policy changes. This interactive theoretical framework highlights the reciprocal interactions between learning and the international/domestic environmental situation. By combining structural and cognitive variables, I seek to explain how and under what conditions learning is translated into policy change or how individual preferences are transformed into governmental policy decisions.

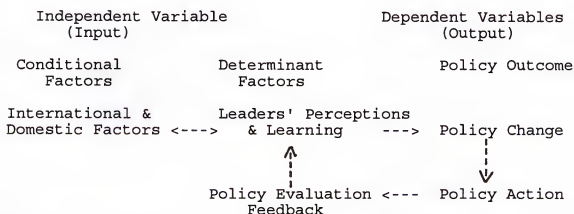


Figure 3-3: The Analytical Model of This Study

Individual political leaders have played an important role in making policy decisions in Chinese modern history. However, sole consideration of cognitive factors of decision makers while ignoring environmental factors, will not reveal the true and complete picture of policy changes in China. A multiple-level interactive approach, which takes into account the international environment, domestic changes, and political leadership, is what I consider the best approach to the study of Chinese aid policy changes. This multi-level framework of interactive perspective recognizes the interplay of governmental, domestic, and international sources of foreign policy change in order to build a comprehensive understanding of foreign policy behavior in China. It takes into account the following three independent variables: 1) the international environment and bilateral relation between China and Tanzania; 2) the domestic political and economic developments within China; 3) the cognitive perceptions of Chinese leaders. By analyzing the changing international environment, the political and economic developments within China, and the changes in perceptions of the Chinese leadership, this study examines their combined and interactive impacts on the changes of Chinese aid policy.

The institutions and process of policy making are quite different before and after the reform which began in 1978. Before the reform, policy making in China was mainly going

on behind closed doors and controlled by very few top-level leaders like Mao Zedong and then Premier Zhou Enlai. Learning as a process was very much blocked due to this closed and very centralized political system. In the post-reform period, the political system began to be decentralized; low-level officials and bureaucrats were involved actively in the policy process. As Zhao Quansheng (1992) argues, foreign policy making in post-Mao China has shifted from vertical toward horizontal authoritarianism, as key decisions are made from several discrete power bases coordinated at the center but with multiple command channels reflecting different interests and policies. Since the reform, there has been increased scope and degree of participation in policy-making on issues of Chinese foreign aid. As a result, there is reciprocity between bureaucrats and top-level leaders, between bureaucrats and people outside the bureaucracy. With a more open system, information flows and feedback from low-level bureaucrats and staff involved in implementing aid policies became more important in the policy making process. Thus, learning as a complete process has become possible and can bring about policy changes. With the decentralization efforts in administrative reform, and the fragmentation of authority and decision-making structures, the policy making process is more open to external influences and bottom-up feedback from those involved in aid business.



Despite the opening of the policy making system, the crucial juncture for policy change lay and still lies in leaders' perception of their surrounding environment and national interest. Based on such perception, national goals and policy priorities are laid out and necessary policy instruments are sought. This dissertation seeks to develop a theoretical framework that takes account of both individual agents and the structural constraints that limit and motivate them. From a structural perspective, shift of priority in national policy to economic modernization marked by the reform and opening policy, combined with international environmental changes, led to the changes in underlying values of previous aid policy. From a cognitive perspective, shift of belief of both leaders at high levels and officials at middle and low levels of the government directly brought the policy changes into reality through an interactive learning process. The study seeks to analyze Chinese aid policy change from an interactive perspective by applying learning theory with a specific case study of Chinese aid to Tanzania.

Based on my assertion that Chinese aid policy is the product of multiple causal factors operating on both international and domestic levels, the author argues that Chinese aid policy changes in the early 1980s resulted from the interactive effects of both structural factors of international and domestic sources and cognitive factors

from learning by top-level leaders and officials as well as other people involved in aid business. First of all, the beliefs and perceptions of leaders are the most important determinant of policy making behavior. Secondly, such beliefs and perceptions change by a learning process through which the leaders identify the national goals and policy priorities in response to their perceived reality. Next chapter will review the evolution of Chinese aid and the shift of aid policy in the early 1980s. During the pre-reform period, political consideration played the dominant role in aid policy making. In the post-reform period, economic consideration has dominated the priority in aid policy decisions.

#### CHAPTER 4 EVOLUTION OF CHINESE FOREIGN AID

From 1949 to 1995 China provided aid to 102 developing countries (Wu Yi 1997, 4). The forms of Chinese aid can be classified as project aid, technology aid, material aid and cash aid. In project aid, the Chinese side is responsible for the whole process of an aid project. It takes care of project research and design, provides all or part of project equipment and building materials, and selects and sends personnel in charge of the construction, equipment installation, and project production. Usually the project aid is combined with technology aid.

China provides technology aid such as experiments in planting new crops, teaching Chinese traditional skills, conducting geological prospecting, sending medical teams, and sending teachers to train local technical staff. In the process of project construction, China provides technology aid by training local personnel on the project site. Such technology aid may be continued after the project is finished based on the needs and requests of the recipient country. After the project is handed over to the recipient country, China continues to send technical expert teams to provide guidance and help in production and management. In

addition to project aid and technological aid, China provides material aid and cash aid mainly under special circumstances such as natural disaster or severe economic difficulty.

From 1950 to 1985, China provided aid to 87 countries including 46 African countries. The aid expenditure of this period amounted to 41.181 billion RMB (\$16.73 billion) which is equivalent to 1.73% of the total budgetary expenditure of the Chinese central government. Among this aid expenditure, project and technology aid is 15.872 billion RMB which is 38.54% of total aid; material aid is 22.574 billion RMB which is 54.82% of total aid; and cash aid is 2.735 billion RMB which is 6.64% of total aid. The project aid resulted in 1126 projects distributed in 68 countries (Shi Lin 1989, 21). According to Organization for Economic Cooperation and Development (OECD), by the end of 1985 China had committed a cumulative total of \$9.3 billion in bilateral aid which made it by far the largest non-OPEC developing country donor (OECD 1987, 5).

China provided aid of 10,340.28 million RMB to African countries from 1985 to 1995, including 791.94 million RMB in grants, 7956.64 million RMB in loans with no interest, and 1380 million RMB in loans with interest reimbursed by the Chinese government. 245 projects were finished during this period. Among the total amount of Chinese aid to Africa, Tanzania received 647.66 million RMB, including 22.56

million RMB in grants and 625.1 million RMB in loans with no interest. There were 13 Chinese aid projects finished in Tanzania. In 1996, China signed agreements to provide a total 2243.62 million RMB to 37 African countries, including 189.92 million RMB in grants, 462 million RMB in loans with no interest, and 1380 million RMB in loans with interest reimbursed by the Chinese government (Annual Chinese Government Statistic, Ministry of Foreign Economic and Trade). By the end of 1996, China provided aid to 52 African countries. In addition, China has sent nearly 15,000 medical workers to over 40 African countries, providing care to some 200 million patients (*Chinafrica*, No.79, July 1997, 13).

### Historical Review of Chinese Aid

In the past four decades, the provision and distribution of Chinese aid can be classified into the following five different periods: (1) the initial period from 1950 to 1963; (2) the developing period between 1964 and 1970; (3) the rapid expansion period from 1971 to 1977; (4) the adjustment period from 1978 to 1982; and (5) the reform period since 1983.

The Initial Period 1950-1963

In the 1950s, China was quite isolated from the rest of the world. The recipients of Chinese aid during this period were mainly those socialist countries including North Korea, Vietnam, Mongolia, Albania, Hungary, and Cuba. During the Korean War from 1950 to 1953, China provided large quantities of material aid to North Korea for a total value of 729.52 million RMB (\$280 million). Immediately after the end of the Korean War, the Chinese government made 800 million RMB (\$305 million) in grants between 1954 and 1957 to North Korea (Shi Lin 1989, 24-25). Similarly between 1950 and 1954, China provided material aid of 176 million RMB (\$67 million) in grants to Vietnam. In July 1955 China and Vietnam signed an agreement in which China provided 800 million RMB (\$305 million) in grants to Vietnam for restoring its economy after the end of war in Indo-China in 1954 (Shi Lin 1989, 26-27).

The Asian-African Conference in Bandung, Indonesia from 18 to 24 April 1955 provided an opportunity for China to contact with non-socialist countries. After the Bandung conference, China established diplomatic relations with some newly independent countries in Asia and Africa and began to provide aid to them. Egypt was the first African country to receive Chinese aid in November 1956, right after the outbreak of the Suez Canal War when Chinese Premier Zhou Enlai sent a telegram to Egyptian President Nasseer to

express Chinese support for Egyptian sovereignty over the Suez Canal. China contributed 20 million Swiss Franc cash aid to the Egyptian Government. As Mao Zedong said at that time, the Chinese Government and people would do all they could to support the Egyptian people in their heroic struggle to safeguard their sovereignty over the Suez Canal. "Our assistance has no strings attached. Whatever you need, we will provide to the best of our ability" (Xue 1990, 158). Guinea was the first Sub-Saharan African country that received aid from China. Guinean President, Sekou Toure, was the first African head of state to visit China. During his visit in September 1960, an economic and technical cooperation agreement was signed in which China offered an interest-free loan of 22.5 million roubles for complete sets of equipment and technical aid to Guinea.

At the very beginning, Chinese aid mainly took the form of material aid, plus little quantities of cash and technology aid. The instruction to deliver aid came directly from the central government and some specific departments inside the government carried out the implementation. In 1954, China began offering aid in the form of project aid with provision of complete sets of aid projects in North Korea, Vietnam, and other countries.

### The Development Period 1964-1970

From Ghana's independence in 1957 until the end of the 1960s, more than 30 sub-Saharan colonial countries gained independence. China not only gave recognition to the newly-independent African countries, but quickly signed treaties of friendship and agreements on economic and technological cooperation with these countries, including Tanzania.

From 13 December 1963 to 5 February 1964, Premier Zhou Enlai toured ten African countries. This is the first Chinese top-level leader's visit to Africa which marked a major milestone in the development of relations between China and the African countries. It was during this visit that Chinese Premier Zhou Enlai put forward the Eight Principles on External Economic and Technical Assistance which became the guideline of Chinese foreign aid policy. It was emphasized that China and Africa shared the common historical experience and could build a new pattern of relations called the United Front which later evolved into South-South cooperation. The kernel of these principles included: (1) equality and mutual benefit; (2) respect for the sovereignty of other countries; (3) the availability of interest-free or low-interest loans with flexible time limits; (4) encouragement of self-reliance and independent economic development; (5) building of projects requiring less investment and yielding quicker results; (6) the providing of quality equipment and materials of Chinese



manufacture; (7) the mastering of techniques by personnel of the recipient country; (8) the expectation that Chinese experts and advisory personnel would restrict themselves to the standards of living to which their counterparts in the recipient countries were accustomed (*Peking Review*, No.34, August 21, 1964, 16). Most of these principles express China's egalitarian norms in foreign economic relations--respect for recipients' sovereignty, untied aid, and denial of any special amenities for Chinese aid personnel abroad.

During this period, the number of Chinese aid recipients increased from 20 countries in 1963 to 31 countries in 1970. Among these 11 new recipients, 8 were African countries, including Tanzania. Between 1964 and 1970, China's expenditure on foreign aid was 144% more than the amount of the previous 14 years and new commitments increased by 116% (Shi Lin 1989, 54-55). During the period of 1956 to 1973, China awarded 273.5 million U.S. dollars in donations to 15 countries, including 8 African countries. Among them Tanzania received 6.6 million in donations--3 million in 1964 and 3.6 million in 1966 (Bartke 1989, 13).

At the same time more and more Chinese aid was provided in the form of project aid. The expenditure on project aid during this period was 210% of the amount of the previous 14 years from 1950 to 1963. From 1964 to 1970 China finished 313 projects in 20 countries. Some of the projects are

large scale with demand for very complicated technology (Shi Lin 1989, 55).

#### The Rapid Expansion Period 1971-1978

As soon as China resumed its membership in the United Nations in 1971, China established diplomatic relationship with many more countries. From 1971 to 1973, 30 countries established diplomatic relations with China including eight African countries. From 1971 to 1978, among the total 66 recipients of Chinese aid there were 36 new recipients, including 27 African countries. By 1977 more than half (58%) of Chinese aid went to Africa (Yu, in Weinstein and Henriksen 1980, 120).

The amount of aid expenditure increased rapidly as the result of expansion in both numbers and scale of aid projects. During the period of 1971 to 1978, China finished 470 aid projects which exceed the total number of projects finished in the previous 16 years from 1955 to 1970. The expenditure of project aid and the total amount of economic aid from 1971 to 1978 is 109% and 159% respectively of that during the period from 1955 to 1970 (Shi Lin 1989, 57, 60-61). From 1971 to 1978, particularly in the first half of the 1970s, China embarked upon ambitious prestige projects, including the famous Tanzania-Zambia Railway. These large scale projects cost huge sums of money. Both the cost and

number of project aid in the 1970s exceeded that of the previous years between 1950 to 1970.

In addition to the increase of Chinese aid recipients and the expansion of aid project scale, another major reason for the rapid increase of Chinese aid during this period was that China provided huge amount of aid to Vietnam, Cambodia, and Laos in the 1970s during the Indo-China war. The rapid expansion of Chinese aid occurred mainly during the period from 1971 to 1975. During that period, 43.4% of the total Chinese aid expenditure went to Vietnam, Laos and Cambodia while 93.1% of this particular aid was provided to Vietnam alone (Shi Lin 1989, 57). Just in the year of 1974 there were 265 projects under construction and 149 of them were located in North Korea, Vietnam, Albania, Romania. The amount of project aid in 1974 is 129% of that of 1970. The Tanzania-Zambia Railway was under construction and completed during this period.

In the 1970s, the amount of aid increased so rapidly that it occupied a very high percentage of China's central government annual budget. The percentage of government spending that went to various aid programs ran as high as 6.7 percent in 1972, 7.2 percent in 1973, and 6.3 percent in 1974, the peak years in the history of Chinese aid to the developing countries (Hao and Huan 1989, 243-244). No donors in the developed countries have ever provided aid on such a large scale in terms of the percentage of annual

government budget. Given the urgent need of China during that period to restructure its own economy, which had suffered very badly during the early years of the Cultural Revolution, these figures were by any standards very high even for a well-developed economy. Obviously, China could not afford to continue giving aid on such a scale which was far beyond China's own capability.

#### The Adjustment Period 1978-1982

The year 1978 marked the turning point in Chinese aid history when for the first time the two major recipients of Chinese aid, Vietnam and Albania, turned against China. Due to the breakdown of relations with Vietnam, Laos, and Albania, China ceased its economic aid to these three major recipients and withdrew all the Chinese aid experts and personnel from these countries. At the same time China's economic aid dropped sharply and reached a record low in 1982, totaling only US\$40 million. In 1983 the figure rose to US\$230 million, or about half a percent of the total government budget (Hao and Huan 1989, 244).

During this period, there was stagnation in aid provision as the whole national expenditure was under very strict control due to economic and financial adjustment. From 1979 to 1985, although the number of aid recipient countries increased from 64 of 1983 to 87 of 1985, the total Chinese aid amount was even less than that in the 1970s.

Despite the decrease of amount in aid provision during the period from 1979 to 1985, there was expansion in terms of distribution of aid. Between 1979 and 1985, China continued to provide aid to 64 previous recipients and began to provide aid to 19 new recipients. Construction of 242 projects in 62 countries was completed while technological assistance and management cooperation was provided for 119 Chinese aided projects in 43 countries (Shi Lin 1989, 74).

The formal transition of Chinese aid policy was marked by the declaration of the new four aid principles in January 1983 during Chinese Premier Zhao Ziyang's visit in Africa. From December 1982 to January 1983, Premier Zhao Ziyang paid a month-long visit to 11 African countries including Tanzania. It was during this African tour, Premier Zhao Ziyang declared the new four principles for economic aid: (1) equality and mutual benefit, (2) stress on practical results, (3) diversity in form, and (4) attainment of common progress. The essential point is to promote reciprocal economic cooperation rather than one-way Chinese assistance. As a result, the focus of China aid shifted to developing mutually beneficial economic and technological cooperation. As Premier Zhao emphasized, there would be no broad prospects for South-South cooperation if it was confined mainly to the forms of loans and gifts. Only when methods of mutual assistance were found could the road of South-South cooperation become wider and wider (Xue 1990, 442).

It was stated that more emphasis should be put on economic efficiency, minimum investment, quick economic results and mutual benefit.

#### The Reform Period 1983-Present

During this period new forms of aid were developed to combine aid with other forms of economic and technological cooperation such as contracting projects, labor service, technical services and spare parts, joint ventures or solely Chinese-funded ventures, cooperative management, coproduction and joint development of local natural resources. In addition, China began to implement new forms of aid provision by sharing expense of aid projects with international organizations such as United Nations and World Bank or other countries including recipient countries. It has also experimented with reforms in management of aid projects in forms of technological and management cooperation, contract management, and joint ventures. In December 1983 the contract responsibility system was introduced in the design and implementation of aid projects. With the development of Chinese market economy and its integration with global economy, the conduct of aid provision has moved more and more close to internationally applied forms of operation. For example, since 1983 Tanzania-Zambia Railway has been under management cooperation with Chinese participation in the decision-

making process of railway operations. Generally, the government no longer takes care of detailed implementation of the aid projects. Different from the previous periods, Chinese expert and personnel began to involve themselves actively in management of aid projects. Since 1986, China has provided multi-lateral technical aid to over 40 African countries and trained more than 750 people in varied professions. In 1996, China signed new agreements for providing aid to 41 African countries and contracted 45 aid projects (*Chinafrica* 1997, No.79, 13).

China has been willing to reschedule repayment of its loans or convert them into grants if a recipient country had difficulties in meeting its obligations. As Premier Zhao Ziyang made it clear during his visit to Africa in 1983, the Chinese government was willing to treat the debtors with some indulgence, write off part of the debt, or transfer it into Chinese input in joint venture projects. For example, repayment for the loan used for Tanzania-Zambia Railway (\$500 million ) at that time was due to begin. Several months after Premier Zhao's visit, a protocol was signed to excuse Tanzania and Zambia from starting their repayments for another decade. In the early 1990s China ceased to provide low-interest and interest-free government loans. Instead, government discount loans were introduced to support the development of bilateral cooperation and involve African enterprises in the construction and management of

aid projects through joint investment and operation with Chinese enterprises.

More emphasis has been put on feasibility and the economic efficiency of aid projects in order to achieve the maximum economic benefits with the limited amount of aid expenditure. During this period the focus of Chinese aid has been placed on small scale projects and renovation and rehabilitation of those projects finished in the previous years. Since 1980, while continuing but reducing aid to its recipients, China has given more emphasis on expanding business relations with those countries. Between 1979 and 1993, China and African countries reached agreements on 4,028 contracted and service projects. By the end of 1993, approximate 200,000 Chinese staff had been sent to African countries on contracts when China invested in 149 enterprises in 39 African countries. From 1963 when China sent the first medical team to Algeria until the end of 1993, China sent 1,083 medical workers to 93 medical stations in 34 African countries (*Chinafrica*, No. 63, 1996, 14). By the end of 1996, Chinese companies had signed 6,284 contracts for projects and labor cooperation in Africa, involving a total of US\$8.474 billion and accomplishing a turnover of \$6.15 billion. Of the total, 790 contracts were signed in 1996, involving US\$1.511 billion (*Chinafrica*, No.79, 1997, 13).



Until 1994, China provided aid to many developing countries in Asia, Africa, and Latin America, as well as along the Pacific Rim, helping them complete a total of 1,426 projects in fields ranging from industry, agriculture, water conservation, transportation and energy to telecommunications, culture, education, public health, and urban construction. China provided these countries with a vast array of materials and various technologies and has sent nearly 500,000 experts abroad, helping to provide training for a large number of technicians (*Beijing Review*, Jun. 26-Jul.2, 1995).

#### Transition of Chinese Aid Policy in the Early 1980s

In July 1979 Deng Xiaoping pointed out with specific reference to foreign aid that the concrete measures of aid provision should be reformed to better benefit the needs of the recipients (Shi Lin 1989, 70). Speaking to the Twelfth Congress of Communist Party of China (CPC) in 1982, Party Secretary Hu Yaobang said: "in providing aid of cooperation for mutual benefits, China has always strictly respected the sovereignty of the other party, attaching no strings and demanding no privileges." As he emphasized, South-South cooperation "is of great strategic significance as it helps to break out of the existing international economic

relations and create a new international economic order" (Harris 1985, 98). While stressing that aid to Third World countries is China's "unshakable international obligation", in the early 1980s Chinese leaders in their official statements acknowledged that some mistakes were made in the past, particularly aid provision being far beyond China's "limited financial and material resources" (Shi Lin 1989, 70).

#### Aid of Political Support before 1980

China differs from Western developed countries with regard to many specific characteristics in its aid provision, particularly before 1980. This uniqueness is mainly shown in its respect for the sovereignty of recipient countries, the absence of imposed conditions, recipient-oriented considerations, and very favorable terms in aid provision including interest-free or low-interest loans, and concessions on repayments. Chinese aid "has been useful, apt, given on more generous terms than by any other donor-- and has been welcomed, and praised, by nearly every African government that has received it" (Hutchison 1975, 205).

From the mid-1950s to the end of the 1960s, as more and more countries in Asia, Africa, and Latin America achieving independence, China regarded the strengthening of unity, cooperation and mutual assistance with those countries as an important component of its foreign policy. At the eighth

National Congress of the CPC in 1956 Mao Zedong declared the support for the movement for national independence and liberation in various Asian, African and Latin American countries. The Chinese Government and people have exerted their utmost efforts in fulfilling their above international duty. As it was stressed, "proletarian internationalism is the guiding principle of China's foreign policy and also of her foreign aid" (Copper 1976, 161).

#### Eight principles for Chinese aid provision

During his African tour from December of 1963 to January of 1964, Premier Zhou Enlai stressed the importance to consolidate the independence of the newly-emerged Asian and African countries by assisting each other so as to establish an independent national economy. From this perspective, mutual economic assistance among the Asian and African countries was described as poor friends who were in the same boat pulling oars together. Such spirit is expressed in the eight principles for Chinese aid to foreign countries, which was first put forth by Premier Zhou Enlai during his visit to Africa between 1963 and 1964:

- 1) Equality and mutual benefit--The Chinese Government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as kind of unilateral alms but as something mutual. Through such aid the friendly new emerging countries gradually develop their own national economy, free

themselves from colonial control, and strengthen the anti-imperialist forces in the world. This is in itself a tremendous support to China;

2) Respect for the sovereignty of other countries--In providing aid to other countries, the Chinese Government strictly respects the sovereignty of the recipient countries, and never asks for any privileges or attaches any conditions;

3) The availability of interest-free or low-interest loan with flexible time limits--the Chinese government provides economic aid in the form of interest-free or low-interest loans and extends the time limit for repayment when necessary so as to lighten the burden of the recipient countries as far as possible;

4) Encouragement of self-reliance and independent economic development--In providing aid to other countries, the purpose of the Chinese Government is not to make the recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development step by step;

5) Building projects requiring less investment and yielding quicker results--The Chinese Government tries its best to help the recipient countries build projects which require less investment while yielding quicker results, so that the recipient governments may increase their income and accumulate capital;

6) Providing quality equipment and materials of Chinese manufacture--The Chinese Government provides the best-quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them;

7) The mastering of techniques by personnel of the recipient country--In giving any particular technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master such techniques;

8) The expectation that Chinese experts and advisory personnel would restrict themselves to the standard of living to which their counterparts in the recipient countries were accustomed.--The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities (Xue, 1990, 173-174).

As Premier Zhou Enlai later further emphasized in his government report of December 1964,

our basis of foreign aid is proletarian internationalism. We support our brother countries in their socialist construction so as to strengthen the whole socialist camp. We support non-independent countries to achieve their independence. We support newly independent countries for their self-reliance and

development of their national economy so as to strengthen their independence (Shi Lin 1989, 44).

Based on its own historical experience of being a semi-colony, China strongly emphasized that "the Chinese people will never bully others, nor will they allow others to ride roughshod over them and order them about" (*Peking Review*, August 21, 1964). As it was repeatedly emphasized in official Chinese statements,

Proceeding from the principle of equality and mutual benefit and mutual support, China's foreign aid aims at helping the recipient countries to regenerate by their own efforts; she never has any national egoism in mind. Based entirely on the practical needs of and possibilities existing in the recipient countries, China helps them build and develop their independent national economies. She never starts from her own economic interests and tries to serve its own economy by placing the economies of the recipient countries in a dependent position (*Peking Review*, August 21, 1964, Copper 1976, 160).

#### Generosity with no condition attached

During the 1960s and the 1970s Chinese aid was provided on very favorable terms, either in the form of grants or interest-free loans with long repayment periods. Although sometimes the loans were provided with very low interest, China tended to concentrate almost entirely on interest-free loans. By 1975 China had given aid to 51 non-Communist developing countries, half of which had per capita incomes higher than China itself (Copper 1976, 2).

As former Tanzanian President Julius Nyerere said,

In aiding us and exchanging views with us during international conferences, China has never made even the slightest attempt to force a policy upon us or

violate our sovereignty and dignity. We appreciate this action highly (*Chinafrica*, No.77, May 1997, 5).

In the 1970s, China undertook quite a few large projects that require long-term financing and commitments. A good example is the Tanzania-Zambia Railway which was and still is a huge amount of aid even for a developed country.

The period of loan repayment was very long and flexible, with almost no deadline of repayment, continuing postponement of repayment, or long grace period. China has never pressed for repayment. Usually the recipient governments were not called upon to begin repaying their Chinese loans for ten years after the construction projects were finished. The repayments could then be staggered over twenty or even thirty years. Even such long repayment term can be postponed again and again, which makes it the same as non-repayable loans. If the costs of a project outran the original estimate the Chinese were prepared to meet the extra expenses themselves. According to the first economic and technical cooperation agreement of 1964 between China and Tanzania, the loan would be paid back by Tanzania between 1975 and 1984 in the form of agreed upon export goods, convertible currencies or other currencies mutually agreed upon. In fact, Chinese government has been very generous and the repayment of the loan has been postponed endlessly. In this case, the two governments have exchanged letters continuously for extension of loan repayment. As it

was emphasized in Chinese government documents repeatedly, if the recipient country could not pay back on time, the repayment could be postponed (Interviews conducted at the Office of Chinese Economic Representative in Dar es Salaam, Tanzania, July-August 1994).

For the purpose of cutting aid expenditure, Chinese personnel did not live in expensive residences as did most of their Western counterparts. Chinese aid teams were noted for their willingness to work in whatever conditions that were indigenous to the host country, without special treatment or housing facilities. All Chinese economic aid agreements contain a clause that Chinese technicians and workers shall be paid in accordance with the standards of the receiving country. Chinese technicians would not be permitted to live in hotel suites and run up expenses as the aid personnel from other donor countries did. Instead they would have to content themselves with the same standard of living as the ordinary Africans they worked with. Usually Chinese medical teams, technicians and labor were sent to live in the recipient countries for the duration of the project.

As the standard of living in most developing countries is low, the cost factor is thus reduced considerably. The cost of China's projects was in those days about a quarter of that of comparable projects undertaken by capitalist countries (Bartke 1975, 9). It is estimated that Chinese



aid is in effect at least 25% higher than the nominal loans would suggest (Bartke 1975, 12). "In each unit of foreign aid, the de facto grant elements, China appears to be second to none" (Horvath 1976, 1). Especially with respect to large loans, China commonly offered the recipient a grace period of ten years beginning at the time when an economic aid program was completed. Once repayments begin, the installments are usually distributed over a twenty-year or longer span. Quite typical is the loan with repayments in the course of 20 years, after an initial 10-year moratorium, and without any interest payments throughout the 30-year period. The grant embodied in such loans accounts for about a net 76 percent of the contracted sums. The overall average of grant elements in every dollar is over 74 percent, reflecting the fact that there was somewhat over \$2.5 billion worth of grant equivalent in the \$3.5 billion loan offered during the years 1957 through 1974 (Horvath 1976, 1).

Generally speaking, Chinese aid is worth more than its face value of the dollar figures since prices applied to deliveries to the recipient country are lower than those prevailing on the world market and sometimes even in the domestic market. The value of Chinese aid is higher than the disbursement figures in dollars.

### The poor help the poor for self-reliance

As Chinese officials repeatedly emphasized, "Chinese assistance is designed to help the recipient country embark on the road of independent development and self-reliance" (Ogunsanwo 1974, 202). This follows the ancient Chinese proverb, "Give a man a fish, and feed him for a day. Teach him to fish, and feed him for life." As Chinese Premier Zhou Enlai summed up on his tour of Africa from December of 1963 to January of 1964, Chinese aid to African countries is just like the poor helping the poor. Zhou Enlai declared that Chinese assistance to Africa was not going to be accompanied by any political demands. Nor were the Chinese going to milk African treasuries.

China put the emphasis of aid on promoting self-reliance and the development of an independent national economy of the recipient country. As Premier Zhou Enlai emphasized,

the aid China offers to all friendly new emerging countries is based on socialist principles and the principle of respecting the sovereignty of the countries concerned. It never takes the form of the export of capital, direct investment and profit seeking. It consists of providing economic and technical assistance to the governments of these countries and helping these countries develop their own independent national economy (Ogunsanwo 1974, 152).

During the years from the 1950s to the 1970s China emphasized self-reliance as the basis of nation building. "The aim of China's economic and technical aid for foreign countries is to help them gradually build and develop their

independent national economies by relying on their own efforts" (*Peking Review*, August 21, 1964). China always stressed that it did not want to build projects that would need imported raw materials, thus making the recipient country dependent upon external sources of material and contributing to that country's economic and political vulnerability. China wanted to turn these countries from exporters of their raw materials into utilizer of those materials, and when they lack the necessary raw materials China gives priority to finding a solution to the raw materials problem: "We proceed to help construct sugar refineries only after the growth of sugar cane proves a success" (Mancall 1984, 475).

#### Aid for Mutual Economic Benefit Since the Early 1980s

In the early 1980s Chinese officials repeatedly underlined that the aid program should reflect the country's ability to help other developing countries without straining its own limited financial and technical resources. The focus of the aid shifted towards the mutual benefit for both China and the recipient countries. The gist of the message was that Chinese aid must be provided in various forms in order to bring practical advantages to both donor and recipient alike. The changes in Chinese aid policy in the early 1980s were basically reflected in the fundamental

shift from political consideration with emphasis on meeting recipient's needs to economic development with emphasis on mutual benefits for both donor and recipient sides.

At the same time recipient countries were required to participate to the possible extent in sharing the financial cost of those Chinese aid projects. Considering the limited resources, China showed no intention to provide economic aid in the manner it did in the 1960s and the 1970s. The aid concentrates on small, short-term projects which can easily be handed over to the recipients. Since emphasis has been placed on equality and partnership, mutually beneficial economic cooperation, and small-scale aid projects (Shi Lin 1989, 71-73).

#### The new four principles on Chinese aid

The details of the new four principles were stated in Premier Zhao Ziyang's speech in Dar es Salaam of Tanzania during his visit to Africa from December of 1982 to January 1983:

1) China attaches no conditions to its cooperation and demands no privileges. In carrying out economic and technological cooperation with African countries, China abides by the principles of unity and friendship, equality and mutual benefit, respects their sovereignty, does not interfere in their internal affairs, attaches no political conditions and asks for no privileges;

2) Development projects should yield good economic results with less investment. In China's economic and technological cooperation with African countries, full play will be given to the strong points and potentials of both sides on the basis of their actual needs and possibilities, and efforts will be made to achieve good economic results with less investment, shorter construction cycles and quicker returns;

3) Cooperation contracts should be observed, the quality of work guaranteed, and friendship stressed. China's economic and technological cooperation with African countries takes a variety of forms suited to the local specific conditions such as offering technical services, training technical and management personnel, engaging in scientific and technological exchanges, undertaking construction projects, entering into cooperative production and joint ventures. With regard to the cooperative projects it undertakes, the Chinese side will see to it that the signed contracts are observed, the quality of work guaranteed and stress laid on friendship. The experts and technical personnel dispatched by the Chinese side do not ask for special treatment;

4) Economic and technological cooperation should contribute to self-reliance on both sides. The purpose of China's economic and technological cooperation with African countries is to contribute to the enhancement of the self-

reliant capabilities of both sides and promote the growth of the respective national economies by complementing and helping each other.

#### New forms of Chinese aid

It is stressed that economic aid should produce economic benefit for both aid donor and recipient countries. Such emphasis is very different from the one-side focus or recipient-focus of Chinese aid provision in the 1960s and the 1970s. Since the early 1980s the Chinese aid provision has expanded in such forms as contracted projects and joint ventures. The measures to solve the problems of poorly run projects include adopting cooperative management for the country, leasing out by contract and technological cooperation. As former vice foreign minister Gong Dafei commented,

In order to adjust to the changing situation both at home and abroad, China is now carrying out reforms in the aid programs offered to other countries. While continuing with aid between governments, China now actively encourages financial institutions and enterprises to participate in the cross-development of the Chinese and African economies. The main measures include preferential governmental loans and the practice of joining capital and cooperation in aid projects. These are meant to help recipient countries establish industrial projects that are needed and based on local resources (*Chinafrica*, 1997, No.79, 13).

Table 4-1: Percentage of Project Aid  
among Total Chinese Aid

Period	1955-1985	1955	1956-1960	1961-1965	1966-1970	1971-1975	1976-1980	1981-1985
%	39.3	13.7	21.3	41.0	27.4	32.2	58.2	74.1

(Source: Shi Lin 1989, 138)

As shown above, the percentage of project aid increased among the total Chinese aid. In recent years, Chinese officials noted that the priority of Chinese aid would be placed on some small and medium-sized productive projects that can use local resources and bring in good economic benefits for the recipients. The projects would be built and managed by both parties by means of joint venture or cooperation. In order to make both parties fully play their roles in the cooperation, the Chinese government will solve the problems of funding at the beginning of cooperation by offering preferential loans with interest reimbursed by Chinese government. With the approval of recipient countries, both parties can adopt management measures of joint venture. China will send technicians to these enterprises to help improve their management and increase their economic benefit. China will also train a group of local technicians and managerial personnel for them and finally let the local people operate the projects themselves.

In addition to provision of bilateral aid, China began to participate multilateral aid provision through some international organizations such as United Nations, World Bank. The major form is technology aid in which the international organization offers the whole funding or part of the funding and China provides part of the funding and takes full responsibility for the implementation of technology aid projects. From 1983 to 1991, China implemented 331 projects of technology aid in 62 countries in Asia, Africa, Latin-America, and Pacific regions in such form of multilateral cooperation with the international organizations.

#### Some recent developments in aid provision

In response to domestic changes in China and international changes, Chinese aid policy underwent reforms and readjustments. The recent most striking change was the cease of low-interest and interest-free government loans and the use of government preferential loans to support the development of economic cooperation in new areas. The focus of such changes is to get enterprises involved in the construction and management of aid projects through joint investment and operation. "The Chinese government will support strong and sound companies in their efforts to develop trade and economic cooperation while guaranteeing mutual benefit" (*Chinafrica*, No.78, June 1997, 5).



During his visit to seven African countries including Tanzania from July 17 to August 5, 1995, Vice Premier Zhu Rongji emphasized that Sino-African friendship should be consolidated and strengthened. He also pointed out that the forms of Chinese aid should be reorganized so as to bring this friendship to a new level. Zhu Rongji proposed a plan involving mutual support, creating a peaceful and stable international climate, consolidating association and trade environments and promoting cooperation and common prosperity. The details of this proposal include the following proposals:

- 1) to give full play to the great numbers of China-aided projects and to help overcome difficulties in their operation and management. China is preparing, through consultations with the relevant African countries, to turn the projects into joint ventures. The Chinese will supply managerial and technical personnel to these projects to improve management and increase economic efficiency. In the meantime, efforts will be made to train local personnel so that these projects will eventually be managed by locals;

- 2) Chinese businesses will be encouraged to cooperate with African countries in various forms. Joint ventures can be formed, for example, for intensive processing of raw materials. To begin with, some assembling factories can be set up in Africa with Chinese parts. The state should also

support engineering contractors that have traditionally enjoyed a good reputation in Africa;

3) China will provide preferential government loans to help start joint ventures between Chinese and African enterprises. It seems necessary for the Bank of China to set up branches in Africa;

4) China will continue to provide, within its capabilities, limited gratuitous aid to African countries for the construction of public projects and welfare facilities (*Beijing Review*, Aug. 28-Sept.3, 1995, 16-17).

The purpose of such reform is to promote direct cooperation links between Chinese businesses and those of recipient countries, to increase the effectiveness of assistance, help recipient countries develop their national economies, and boost economic cooperation and trade with China. As Minister of Foreign Trade and Economic Cooperation Wu Yi further explained, aid will be provided in new forms which currently include two categories. The first category is to adopt a method of providing low-interest government loans with preferential terms. In principle, China will no longer provide interest-free loans.

By reforming the foreign-aid system, the Chinese government also aims at encouraging the establishment of joint ventures and cooperative projects and readjusting the structure of assistance (Interview with Sun Guangxiang, *Beijing Review*, June 26-July 2, 1995, 6). According to

comments of officials from the Chinese government, the focus of Chinese policy is to expand the scale of government-subsidized preferential loans. China will provide aid mainly for those small- and medium-sized projects which will better suit the needs of the recipient countries in developing their economies. China adopted the international method of aid provision by providing low-interest government loans with preferential terms. The Export and Import Bank of China is responsible for extending such loans, with the difference in preferential and bench mark interest rates to be reimbursed by the Chinese government. Getting banks involved aims at increasing the size of loans and promoting efficiency of loan use. In addition to implementing government loans with preferential terms, another major reform measure in Chinese aid provision is to implement aid projects in the form of joint ventures and mutual cooperation. Getting enterprises involved will improve both effectiveness and efficiency of aid projects, and ensure mutual benefit of aid projects particularly in forms of long-term cooperation to sustain the continuing operation of projects.

As Chinese Premier Li Peng emphasized during his visit to Africa in May 1997, "China hopes to develop equal and mutually beneficial trade and economic relations under the new situation" (*Chinafrica*, No.78, June 1997, 8). In the fields of renovating old enterprises and developing

resources and energy, the two sides can discuss new means of cooperation and fully realize the potentials of cooperation. As Premier Li Peng pointed out, "Businessmen and entrepreneurs need to develop cooperation across a wide range" (*Chinafrica*, No. 78, June 1997, 8). At the same time China continues to provide aid in the old fashion to areas of public and social welfare within certain financial limits. During the visit of Premier Li Peng to Zambia, China and Zambia signed an agreement of bilateral economic and technological cooperation and an agreement on the Chinese government granting special loans to the Tanzania-Zambia Railway.

Obviously since the early 1980s Chinese aid policy experienced a significant shift of focus from international political support to mutual economic benefits. New ways of mutually beneficial cooperation, such as joint operation, contracted projects and labor services, have been introduced to supplement traditional forms of economic aid provision such as free-interest loan. Current Chinese aid policy is based on a more realistic view of national interests with emphasis on economic benefits and returns under the guideline of "mutual developmentalism". In the next chapter, I will explain the domestic and international factors that influenced the transition of Chinese aid policy in the early 1980s.

CHAPTER 5  
STRUCTURAL INFLUENCES ON CHINESE AID POLICY:  
DOMESTIC AND INTERNATIONAL PERSPECTIVES

The decisions comprising a state's foreign policy are affected by structural factors to the extent that foreign policy makers perceive them and take them into account as they formulate a policy. Chinese aid policy is reactive to both domestic and international factors. Under what domestic and international circumstances did China make a shift in its foreign aid policy in the early 1980s? This chapter explores the influences of structural factors on Chinese aid policy changes from domestic and international perspectives.

Economic Reform and Chinese Aid Policy

The transition of Chinese aid policy occurred when domestic reform began in the late 1970s. In December 1978, the Third Plenum of the CPC's 11th Central Committee set the reform agenda and shifted the policy priority to development of its economy. Practicing the policies of reform and opening to the outside world are the most striking characteristics of China's domestic reform. According to

Deng Xiaoping, the most fundamental task is to develop productive forces in China. Revitalizing the domestic economy and opening up to the outside world provides possible means to achieve those goals of economic development (Deng Xiaoping 1984, as quoted in *People's Daily*, Nov. 5, 1993).

#### Economic Reform and Aid Policy Focus

Since 1978 economic development has become the central task for Chinese government. As Deng Xiaoping stated in 1982, "economic construction is the core and constitutes the basis for solving both international and domestic problems" (Speech at 12th National Congress of the CPC, 1982). Given the increasing domestic need to attract economic resources, Chinese aid has been provided in more practical terms on the basis of what Chinese officials call the principle of mutual benefit, rather than a return to the old practice of making one-way contribution.

With little resources for its own use, there seemed little compelling reason to continue to fund expensive aid projects. As Zheng Tuobin, Minister of Foreign Economic Relations and Trade, pointed out: "Since 1979, carefully avoiding biting off more than it can chew, China has made a sound readjustment of its foreign assistance in terms of scope, structure and distribution" (August 28, 1988, Xinhua

News Agency). In the early 1980s Chinese officials emphasized China's willingness to expand bilateral trade and economic relations with African countries under the new circumstance. They called for seeking new ways of economic cooperation in the spirit of equality and mutual benefit and in accordance with international practice.

Before the reform the political system in China was a highly centralized command system with lack of clear rules and a stable distribution of authority. The reform in administration aimed at decentralization of power distribution and government efficiency. As Deng Xiaoping pointed out,

It is true that the errors we made in the past were partly attributable to the way of thinking and style of work of some leaders. But they were even more attributable to the problems in our organization and working systems (Deng 1984, 316).

Deng Xiaoping criticized Mao Zedong for the overconcentration of power to one or a few individual leaders and lack of democratic consultation. He called for an end to the common practice of high party officials also holding government posts (Deng 1984, 303). In his speech at the opening ceremony of the National Science Conference of March 18, 1978, Deng Xiaoping said, "the leadership of the party committee should be primarily political leadership, the guarantee of the correct political orientation in the unit concerned, seeing to it that the party's line, principles and policies are implemented" (Chen Yizi, in

Hamrin and Zhao 1995, 136). Deng Xiaoping further called the Chinese people to break down "rigid thinking" which refers to blind or dogmatic thinking by stating that 'the minds of cadres and of the masses' should be "completely emancipated." The focus of reform in administration is on efficiency and decentralization by streamlining bureaucracy and getting government out of business operation.

Reform measures were undertaken to change the previous system of plan economy. In order to overcome problems such as ambiguity in the distribution of responsibilities and authority, profit and loss in production, China adopted reforms, including separating administration from business in both production and service activities by streamlining bureaucracy and giving economic autonomy to enterprises. The focus of economic activities is on economic efficiency and effectiveness. Such a shift is also reflected in aid policy changes with emphasis on economic efficiency and benefits. In addition to providing aid in forms of grant, finished project, and technological assistance, new forms of economic cooperation have been implemented to tie aid with mutual economic benefits for China and its aid recipients. Seven possible forms of bilateral cooperation have been developed since 1980: 1) providing aid with less investment for practical results; 2) providing technology with local funds; 3) providing labor service by contract; 4) setting up joint ventures in recipient countries; 5) expanding trade



between China and the recipients; 6) bilateral technological cooperation; and 7) providing training of administrative personnel.

Reform measures were taken in re-orientation and revision in implementation of new forms of aid provision. In 1983, the Ministry of Foreign Trade and Economic Cooperation issued a document concerning Chinese aid projects. The major measures included: 1) Based on the needs of recipients, Chinese experts should stay after the project is finished in order to strengthen technological cooperation; 2) participate in management concerning the operation of an aid project by ways of appointing Chinese experts to the management positions; 3) if possible, transforming Chinese aid projects into joint ventures (Shi Lin 1989, 72).

Since the early 1980s more emphasis has been placed on technological cooperation after a project is finished, and on increasing Chinese participation in project management in order to ensure the proper and efficient operation of the project. China embarked upon a more practical aid policy through construction contracting, joint ventures and the provision of labor services in the implementation of aid projects. The Chinese companies began to undertake aid projects by contract and work for profit. The shift of focus in aid provision from the political arena to economic dimension is reflected in China's new willingness and

enthusiasm for adopting more flexible forms of aid project implementation and management which combine the benefits of the recipient countries with China's own economic interests. In recent years, there have been discussions and negotiations between China and Tanzania in terms of transforming Chinese aid projects into solely Chinese-funded or joint-venture enterprises. In 1994 when I was in Tanzania such negotiations were held regarding some Chinese aid projects including the Mbarali Farm, Ruvu Farm, Ubungo Farm Tool Factory and Urafiki (Friendship) Textile Factory.

#### Decentralization in Aid Administration

One fundamental principle of economic reform is the shift of authority from government officials to factory managers in operation of economic activities. The aim is to use market mechanism instead of government control to promote economic development. The first and most important step in economic reform was the introduction of the responsibility system in those state-own enterprises-- "factory manager responsibility system." The reform in the state sectors centered around the twin initiatives of expanding enterprise autonomy and combining plan and market. The two principles of reform were advanced: expanding enterprise's authority and increasing use of economic levers or market mechanisms as opposed to administrative means. The further experimentation of reform began in 1980 with the

objective of the commercialization of state enterprises or so-called "responsibility for profits and losses." It was argued that the expansion of enterprise autonomy and the enterprise's self-interested desire to increase its profit would improve microeconomic efficiency.

One important measure for decentralization is giving more authority to the enterprises in handling economic matters. The pre-reform economic system was a Soviet-style system of planned economy. Under such systems, decisions on economic resource allocation were made in response to government dictates rather than prices from the market. In addition, a large volume of resources were concentrated in the hands of planners who distribute and redistribute resources into the investment programs controlled by the government. The government was not only the organizer of the macro-economy but to a very large extent also the manager of the productive activities. In administration of aid provision, the government used to take responsibility for the whole process from negotiation to completion of the aid projects.

On August 7, 1952, the Chinese government set up a Ministry of Foreign Trade (MFT) to take the responsibility for the negotiation, signing, and implementation of aid agreements between China and other countries. Since then this ministry, though it has been reorganized and renamed several times, has been responsible for aid negotiation and

unified management of aid provision. In December 1960 the Administration of Foreign Economic Relations (AFER) was set up as an agency under the State Council to be the highest authority in charge of administration of aid provision. In June 1964 the AFER was replaced by the Commission for Foreign Economic Relations (CFER). In June 1970 the CFER was renamed as the Ministry of Foreign Economic Relations (MFER).

In aid administration before 1980, every concrete matter concerning the aid projects and their implementation was taken care of either directly by a central government department or by those agencies or companies under its authority. The major form of Chinese aid was to ship tons of Chinese-made equipments, a lot of Chinese goods and large group of experts to the recipient countries to build complete plant projects or the so-called turn-key projects.

On March 8, 1982, The Ministry of Foreign Economic Relations and Trade (MOFERT) was formed as the result of the combination of the Ministry of Foreign Trade, the Ministry of Foreign Economic Relations, the State Administrative Committee on Import and Export, and the State Administrative Committee on Foreign Investment. At the same time the contract system has been applied in the construction of aid projects for the purpose of ensuring economic efficiency. In 1983 "Provisional Solution on Contract Responsibility System in Foreign Aid Project" was issued to implement

changes in aid project management. Since then the government no longer has taken responsibility for concrete implementation of the aid projects. Instead, the implementation of aid projects is taken care by contracted enterprises, often the former state-own companies in charge of such matters. These companies, which used to undertake project construction under direct supervision of certain ministries of the State Council or local governments, became autonomous economic units with power in determining how to implement their contracted projects. Based on competition, aid projects will be contracted to the best qualified company to undertake the project construction and operation. In 1993, the MOFERT was given its present name--the Ministry of Foreign Trade and Economic Cooperation (MOFTEC).

#### Opening Policy and New Forms of Aid Provision

The policy of "opening to the outside world" represented a fundamental change of China's previous status of isolating from the rest of the world. This policy aims at participation in the international economy to attract foreign investment and technology from other countries, mainly developed countries. As stated in the communiqué of the Third Plenum of CPC's 11th Central Committee,

We are now... adopting a number of major new economic measures, on conscientiously transforming the system and methods on terms of equality and mutual benefit with other countries on the basis of self-reliance, striving to adopt the world's advanced technologies and

equipment and greatly strengthening scientific and educational work to meet the needs of modernization (*Beijing Review* Vol.21, No.52, December 29, 1978, 11).

As Deng Xiaoping announced in 1980, "China has adopted a policy of opening our doors to the world .... To accelerate China's modernization, we must not only make use of other countries' experiences. We must also avail ourselves of foreign funding" (Walsh 1988, 17). The Chinese government called for

actively expanding economic cooperation on terms of equality and mutual benefit with other countries on the basis of self-reliance, striving to adopt world's advanced techniques and equipment and greatly strengthening scientific and educational work to meet the needs of modernization ("Communiqué of the Third Plenary Session of the Eleventh Central Committee of the CPC", *Beijing Review*, December 29, 1978, 11).

China reevaluated the role of foreign economic relations in its economic development and regarded it as an important and indispensable component of China's economy. As Premier Zhao Ziyang stated in his government report at the Fourth Session of the Fifth National People's Congress in 1981, "by linking our country with the world market, expanding foreign trade, importing advanced technology, utilizing capital, and entering into different forms of international economic and technological cooperation, we can enhance our capacity for self-reliant action" (*Beijing Review* Vol. 24, No.51. December 21 1981, 23).

Prior to 1977, with the emphasis on self-reliance, China did not permit the presence of foreign capital in

China. Foreign trade was very limited in China's then self-sufficient economy. As China began to attach high importance to its economic relations with foreign countries, there has been rapid increases in foreign direct investment and foreign trade activities in China. Many foreign-owned, jointly-owned, or jointly-operated, ventures and companies have been established. The gross industrial output of these ventures in 1993 was 30 billion yuan, a 46.2% increase from the year before, which accounts for 11% of the gross national industrial output of China (People's Daily, April 27, 1994). The importance of China's foreign trade to its economy is also increasing. In 1978, foreign trade accounted for only 9.9% of the GNP. In 1991 the ratio reached 37% and in 1992 trade accounted for 38.1% of the GNP. In 1992, China's total trade exceeded 166 billion (Beijing Review, May 17-23, 1993).

By 1994 China had established economic and trade relations with 228 regions and nations throughout the world (People's Daily, May 21, 1994). As a result, China's economic system is gradually integrating into the world market. China's rank in world trade upgraded from 32th in 1978 to 11th place in 1993. The percentage of China's foreign trade in the total world trade increased from 0.75% in 1978 to 2.6 percent in 1993. Since the reform and opening to the outside world in 1978, China has significantly increased its participation in the

international community, particularly in economic activities. In the 1980s, China's foreign trade increased over 300 percent. Thousands of foreign investment enterprises opened the businesses in China (Hao and Huan 1989, xi).

One significant breakthrough in Chinese aid practice is that China became both a donor and recipient of international aid. Before the reform the Chinese government followed the policy of "relying mainly on our own efforts while seeking external assistance as an auxiliary" (Xue 1990, 483). China's economic ties and cooperation with developed countries were close to a standstill in the 1960s and 1970s due to the long-term blockade and embargo imposed on China by the United States, the abrupt cessation of Soviet Union's aid to China in the early 1960s, and other reasons such as undue emphasis on self-reliance in China. The turning point came in 1978 when China shifted from aid giving to aid seeking by seeking United Nations Development Programme (UNDP) technical aid. China obtained the first transaction of credits from the IMF in 1981 and 1986 respectively (Xue 1990, 473-474). As China became an aid recipient itself, it transformed itself from the only developing country declining multilateral aid to the only developing country that both giving and receiving aid. As a result, China also shifted from a country with no domestic and international debt to a country actively seeking loans



from all kind sources. Between 1979 and February 1983, China received some US\$230 million in grants from the UNDP, the United Nations Fund for Population Activities, and the United Nations Children's Fund (UNICEF). From UNDP alone, China received US\$15 million from 1979 to 1981. In contrast, China's contributions to the UNDP amounted to only US\$5.8 million for the period 1973-1983 (Kim 1984, 198). In 1980 China entered the International Monetary Fund, the World Bank and its affiliates. In 1983 China was granted observer status to the General Agreement on Tariffs and Trade (GATT). In 1986 China entered the Asian Development Bank and officially applied for full GATT membership. China began to seek the loans and credits from foreign governments and international monetary and financial institutions while also accepting loans from foreign commercial banks. Between 1980 and 1983, China received over \$1 billion in loans and credits from the World Bank (Kim 1984, 198). China shifted from the only developing country to decline multilateral aid to the largest recipient of concessional multilateral interest-free loans of the World Bank's International Development Association. In 1989 China became the world's biggest recipient of official foreign aid, bilateral and multilateral, at \$2.2 billion per year (about 6.5 percent of the net global total) (World Bank 1991, 242).

In addition to bilateral cooperation, China began its cooperation with the United Nations in 1982 to provide

technology assistance to some developing countries in the form of multi-national aid. The major form is that China takes the responsibility in implementation of the aid projects by sharing the expense with the organizations under the United Nations. The aid projects included sending experts to lecture and train local staff; teaching some specific technologies; conducting research on the feasibility of some possible projects; providing technological training for trainees from recipient countries to come to study in China. In its cooperation with the United Nations Development Programme, China opened training centers for the people from the African countries and other Third World countries. In the form of multilateral cooperation, China offered multilateral technological aid to 16 African countries. In Mid-1987 China was involved in 277 Sino-foreign joint projects amounting to US\$477 million, 58% of which was put up by China (Cheng 1989, 171).

#### International Relations and Chinese Aid Policy

Changes in the international environment and China's foreign relations provided the possibilities and conditions for reorientation of Chinese aid policy. According to Chinese Foreign Minister Qian Qichen, "the most important common interests between China and the Western countries are bilateral cooperation and trade relationships. Those are

areas of mutual benefits" (*People's Daily*, March 24, 1993).

I will now examine more closely how these factors have helped shape the new Chinese aid policy.

Before the 1970s, China was quite isolated from the rest of the world. In the 1950s China joined the socialist camp headed by the Soviet Union and adopted the "leaning to one side" foreign policy during this period by allying itself with the Soviet Union. After the conflict with the Soviet Union in the late 1950s and the early 1960s, China became even more isolated from the rest of the world. In the 1960s and the 1970s, China confronted both the United States and the Soviet Union and tried to build a united front with the newly independent countries of the Third World. One of the most striking characteristics of the united-front strategy was the tendency to value the relations with those Third World countries primarily according to the degree of a country's "Soviet connections." Those who allied with or supported the Soviet Union were automatically considered adversaries and those who did not were considered friends.

Some important changes occurred in China's foreign relations in the 1970s and the 1980s. One important transition was that China entered the United Nations and established normal diplomatic relation with the United States and many other countries. Since then China has improved and normalized its relations with both superpowers.

At the same time China rapidly expanded its international economic activities by promoting economic cooperation with all countries.

#### Adjustment of China's Relations with Two Major Powers

In 1971 Henry Kissinger secretly visited China and started the process of breaking the impasse in Sino-U.S. relations, which "triggered off a series of chain reactions" (Xue 1990, 265). Shortly after Kissinger's visit to China, the United Nations General Assembly adopted at its 26th Session a resolution restoring China's membership in the United Nations. This was followed by China establishing diplomatic relations with more countries. At the end of 1970, China had diplomatic relations with only 55 countries, but by the end of 1980, the figure had risen to 124 (Xue 1990, 265).

As China normalized diplomatic relations with some major Western countries such as West Germany, Japan, and Great Britain, China and the United States broke the 22-year antagonistic deadlock through the signing of the Sino-US Joint Declaration during President Nixon's official visit to China in February 1972. This marked the beginning of the normalization process which eventually led to the establishment of official diplomatic relations between the two countries in 1979.

Efforts were made to improve China's relation with the Soviet Union. On April 3, 1979 China made a formal decision at the National People's Congress that China would not renew the thirty-year old Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance when it expired in 1980. The treaty had existed in name only for a long time. At the same time the Chinese government proposed normalization talks to settle the outstanding issues between the two countries and improve bilateral relations. This was the first time since the border clash in 1969 that China made such a gesture. In April 1980 China proposed to hold negotiations with the Soviet Union to improve their bilateral relations. In September of the same year, China sent its vice foreign minister to Moscow for negotiations about normalizing the bilateral relations. This was the first formal contact between China and the Soviet Union since the 1960s (Chou 1989,18). After the first round of talks in Moscow failed, talks were suspended because of the Soviet invasion of Afghanistan. In March 1982, Leonid Brezhnev gave a speech in Tashkent in which he stressed that the Soviet Union had never regarded the state of animosity and alienation between China and the USSR as normal, and there would never be any threat to China from the Soviet Union. Brezhnev declared that Moscow recognized China as a socialist country and indicated that ideological differences were no longer an important issue. He again proposed border

negotiations, which were first suggested in the previous September, and implementation of "confidence-building measures" along the border. The consultation between China and the Soviet Union began in October 1982. At the same time China increased economic exchanges with the Soviet Union and Eastern Europe. In December 1984, Soviet first deputy premier Ivan Arkhipov visited Beijing and signed a trade agreement and other pacts for economic, scientific and technological cooperation.

When Gorbachev initiated "perestroika" and "glasnost" in the Soviet Union in 1985, the Soviet military threat against China began to diminish. Gorbachev in his landmark speech in Vladivostok on 28 July 1986 indicated that he would pull some Soviet troops from Afghanistan and Mongolia and wished to discuss the reduction of force levels along the China-Soviet border with the Chinese leaders. The improvement of Sino-Soviet relations was accelerated when the Soviet Union reduced its military build-up on the China-Soviet borders, and destroyed intermediate and short-range nuclear missiles in the Soviet Far East as part of the December 1987 INF agreement. At the end of 1987, Deng Xiaoping publicly expressed his interest in having a Sino-Soviet summit with Gorbachev. In May 1989 Gorbachev paid a state visit to China which marked the normalization of the bilateral relation between China and the Soviet Union. During this visit, the Soviet made significant concessions

to China, particularly agreed to withdraw troops from China's neighboring countries.

### Expanding Economic Cooperation with the Developing Countries

Chinese aid played an important role in getting international recognition and political support for China from the developing countries during the 1960s and the 1970s. As was often expressed in the Chinese official statements,

struggles of the peoples, no matter how far apart they are from each other geographically, are closely co-ordinate and mutually supporting. In the united front of the peoples against imperialism, those countries where revolution has triumphed, including the socialist and anti-imperialist nationalist countries, also assist and support each other in their national construction (Copper 1976, 157).

In the 1960s China broke away from the Soviet camp while maintaining hostile relations with the U.S. Newly independent countries in Asia, Africa, and Latin America were considered important international supporters of China. The strategy is focused on the establishment of a united front with Third World countries. China all along took the task of strengthening its solidarity and cooperation with other third world countries as a cornerstone of its foreign policy. It regarded the protection of the rights and interests of other third world countries as its international obligation. After 1980 China still stressed that China belongs to the Third World and regarded aid as

its sacred international duty. As Deng Xiaoping stated, "as an important political force, the Third World is playing an increasingly great role on the international stage"

(*People's Daily*, August 22, 1982). Despite such claims, China began to emphasize that revolution cannot be exported and ceased material aid to various national liberation movements and communist guerrilla groups around the world. Emphasis shifted from maintaining a political united front to providing aid of mutual economic benefits. While strengthening its solidarity and cooperation with other Third World countries, China has "explored and expanded new ways and means for mutually beneficial cooperation with developing countries" (Xue 1990, 410). Despite the rhetoric emphasis on China's third world status and the importance of the South-South cooperation, China seems to be more committed to the view that one must work within the international market economy rather than try to confront it from a Southern fortress. China shifted its basis of foreign policy from rhetorical political considerations to more pragmatic economic benefits.

Attention has been shifted to the Asia-Pacific region. In recent years, China expanded its economic relation with countries in this region. In 1992 China established relations with South Korea. In addition, China has expressed its willingness to promote extensive economic cooperation with other countries of this region (*Beijing*



Review, May 10-16, 1993). In November 1993 Chinese President Jiang Zemin was invited to attend the Asia Pacific Economic Cooperation (APEC) conference in Seattle. In his speech at the conference in Seattle, Jiang Zemin emphasized, "China will remain open to the world, and first of all, open to the Asia-Pacific region. China will actively participate and promote cooperation in the region" (*People's Daily*, Nov. 26, 1993).

#### Aid As The Extension of Economic Diplomacy

With the shift of domestic priority onto economic development and favorable changes in international environment, objectives of Chinese foreign policy in the 1980s were stated as maintaining world peace, developing friendly cooperation with all countries regardless of social system and ideology, and promoting common economic prosperity. Focus on economic matters set the parameters for key components of China's foreign policy. Changes of Chinese aid policy in the early 1980s well suited the needs of such economic diplomacy.

On May 15, 1984, Premier Zhao Ziyang in his report to the second session of the Sixth National People's Congress, set forth three objectives for the opening policy: 1) the active development of external economic and trade activities, 2) the expansion of production using foreign

funds, and 3) the import of advanced technology (*People's Daily*, June 12 1984). At a meeting of diplomatic personnel in December 1985, the Chinese leader announced the policy of "economic diplomacy." It was stated that the guiding principle for diplomatic activities was to "serve the purpose of peace, development and the four modernizations" (Yeh, in Chang 1990, 297).

In his report to the CPC's 12th National Congress on September 1, 1982, the Party Secretary Hu Yaobang announced that China would adopt an "independent foreign policy" to cope with the changing domestic and international situation. China would never attach itself to any big power or group of powers and would never yield to pressure from any big power. In order to seek a peaceful international environment to ensure the smooth implementation of domestic economic development programs, China tried to maintain stable relations with the two superpowers by normalizing relations with the United States and reducing tensions with the Soviet Union. While maintaining independence from the two superpowers by avoiding alliance with either of them, China seeks to improve relations with both the United States and the Soviet Union since the early 1980s. This new stance put an end to the long-standing campaign against hegemonism of two superpowers and placed emphasis on peaceful coexistence with all countries of different social systems. China declared that the top priority of its foreign policy would

be to create a peaceful international environment favorable to its economic development. In other words, the primary goal of Chinese foreign policy is to serve the interests of the "four modernizations" program.

In his report on the Seventh Five-Year Plan (1986-1990) to the Fourth Session of the Sixth National People's Congress on 25 March 1986, Premier Zhao Ziyang provided a detailed account of the ten principles guiding China's foreign policy, including defending world peace, opposing hegemonism, observing the Five Principles of Peaceful Coexistence, and support for the Third World. As regards China's position of never establishing an alliance or a strategic relationship with any big power, Premier Zhao Ziyang further stated that China's relations with various countries would not be determined by their social systems and ideologies, and that China's position on various international issues would be guided by the criteria of defending world peace, developing relationships of friendship and cooperation among various countries and promoting international prosperity.

The changing international system and the changes in China's relations with both developed and developing countries in the 1970s and the early 1980s offered important incentives and opportunities for China to adjust its foreign policy and aid policy. In general the primary focus of Chinese aid policy shifted from security concerns of East-

West political confrontation during the Cold War to economic development concerns of the North-South economic conflict. The strategy of the united front which was based on fighting the common enemy were thus bound to change. First, the evolution of the international system from a security-oriented structure to a development-oriented structure has reinforced the shift of priority in Chinese foreign policy including aid policy from strategic security to economic development. Secondly, China's economic participation in the global economy, particularly trade with developed countries, has become an important incentive for the progress of China's economic development. Combined with domestic economic and political changes, the relatively peaceful international environment, and emphasis on economic interest in international relations explain changes in aid policy to suit the needs of domestic economic development and expansion of participation in the global economy.

The emphasis on solidarity with the developing countries is more and more rhetorical. China dropped the revolutionary tone and component in its policy statements. When Premier Zhao Ziyang visited four Latin American countries in 1985, he called for deideologizing international relations (*People's Daily*, November 2, 1985). Chinese leaders stressed that foreign policy should be consistent with China's domestic development. Deng Xiaoping confirmed that the new foreign policy was tailored to

support China's domestic development needs. "When we decided on the domestic policy of [economic] construction, we adjusted our foreign policy [accordingly]" (*Beijing Review* January 11-17 1988, 18). As Party Secretary Hu Yaobang mentioned in 1982, in order to ensure progress toward economic modernization and adapt to the evolving international situation, China pursued more steadfastly its independent foreign policy of peace with minor readjustments in order to cope with the changing domestic and international situation (Hu Yaobang: report to the CPC's National Congress on September 1982). At a meeting of Chinese ambassadors in 1985, the Party Secretary Hu Yaobang and Premier Zhao Ziyang emphasized "economic diplomacy" which means the use of foreign relations to serve the needs of domestic economic development.

China actively develops economic and technological cooperation with other countries by expanding foreign trade and attracting foreign capital and advanced technology in order to speed up China's modernization process. As Foreign Minister Qian Qichen noted, "Diplomacy is the extension of internal affairs" (*Beijing Review*, 15-21 October 1990, 11-12). For Deng Xiaoping and other leaders, economic development and the improvement of the material standard of living of the Chinese people was not only the best way to realize the dream of a powerful and prosperous China. The rationality for their own interest is that through this

agenda of economic development, they could rebuild the legitimacy of the new regime in China. The new domestic economic development agenda restructured Chinese foreign policy in two ways. The first was China's desire for a peaceful and stable international environment to serve China's long-term needs for economic development. A peaceful environment could protect China's modernization effort from being disrupted by external disturbances and could ease external pressure so that China could transfer more resources from military spending to domestic economic construction. The second outcome of the emphasis on economic development was the expansion of China's foreign economic contacts. Opening to the outside world has been the cornerstone of Chinese foreign policy since the early 1980s. The Chinese leaders recognized that the success of their modernization efforts depended on the integration with the international economic system through which China can obtain access to international trade, investment, advanced technology and expertise in order to achieve its goal of economic development.

As shown above, China's domestic economic reform and opening policy in general had very significant impacts on the transition of Chinese aid policy in the early 1980s. The international environment of relative peace and improvement of China's relation with the major superpowers provided a favorable condition for such policy transition.

In the following chapters, I will analyze how leaders' perception and learning interact with the environmental changes to shape the changes of Chinese aid policy in the early 1980s.

CHAPTER 6  
COGNITIVE ANALYSIS OF CHINESE AID POLICY:  
THE INTERACTIVE LEARNING PERSPECTIVE

Although structural factors of both domestic and international environments influenced the changes of Chinese aid policy, such influences were mediated by Chinese leaders and officials in certain government agencies of aid policy making. Based on the perspective of interactive learning, this chapter will focus on policy makers in governmental agencies who directly shaped aid policy changes.

While arguing that the immediate cause of aid policy changes lies in the calculations of decision makers, I will further analyze that such calculation came from Chinese leaders' changed belief through a learning process in which decision makers interacted with the domestic and international environmental conditions. First of all, the shift of belief from dogmatic Marxism to pragmatism brought about the changes in perceptions of the domestic and international situation as well as the rationality of national interests. Secondly, such beliefs and perceptions were transformed into a new aid policy when the leaders identified the national goal and policy priority in response to their perceived reality.



### Shift of Leaders' Belief And New Aid Principles

As mentioned in Chapter Three, learning means the reassessment and shift of fundamental beliefs. Such beliefs provide interpretative lenses and justification for leaders' interpretation of historical experience and perceptions of their surrounding domestic and international environments. As fundamental belief of Chinese leaders shifted from dogmatic Marxism to pragmatism, new aid principles were formed to guide the Chinese aid provision since 1983.

### Shift of Belief to Pragmatism

Any policy change is closely associated with individual leaders in China. Despite changes in the domestic and international environments, a specific configuration of leaders was acted on these changes. As Segal notes, "objective conditions' of reform will not lead to reform unless there is the leadership to observe the conditions and act upon them" (Segal 1990, 8). Deng Xiaoping was widely recognized as the architect of China's policy making after 1978 when he came to power. No initiative could be undertaken in policy making without Deng Xiaoping's endorsement.

In general Deng Xiaoping's policy making was based on his pragmatism which was reflected in his famous statement that "practice is the sole criterion of truth" and his famous comments about "a good cat." According to him, "It hardly matters whether the cat is black or white. As long as it catches mice, it is a good cat" (Jian 1996, 89). Deng Xiaoping emphasized the need for more practical work and less empty talk by advocating the principle of "seeking truth from facts." The success of China's reform had not been achieved by relying on books, but rather on practice and on seeking truth from facts (*Beijing Review*, April 13-19, 1992).

The Chinese leaders began to make policy decisions on the basis of principles of pragmatism. As General Secretary of CPC Jiang Zemin said, "Liberating the mind and seeking truth from facts is the essence, while further emancipating and developing social productivity is the essential starting point for the construction of socialism with Chinese characteristics" (Jiang 1994, 9). Accordingly, the emphasis of Chinese aid policy shifted from political internationalism to economic developmentalism. As early as 1978 Deng Xiaoping and other top level Chinese leaders made it clear that China could no longer afford to distribute large-scale charity. The time had come to cut costs. In July 1979, then vice Premier Deng Xiaoping pointed out,

although China has economic difficulties, China still needs to provide a certain amount of aid to the Third World countries. On the issue of aid, we need some reform of the concrete means in aid provision in order to benefit the recipient countries (Shi Lin 1989, 70).

In November of 1979, the State Council issued an official document called "Some Opinions on Conscientiously Doing a Good Job in Foreign Aid." While praising the past efforts in aid provision and their significance, the document emphasized that aid provision should meet the standard of economic efficiency to really benefit the recipients within China's ability.

#### Economic Principles of Aid Provision

With economic development becoming the policy priority, China declared that "apart from continuing to provide assistance within its ability, China will make efforts to explore new ways for mutually beneficial cooperation with other developing countries" (Xue 1990, 416). Noting that China is still a developing country and still comparatively backward economically, Chinese officials emphasized the needs for developing new ways of economic and technological cooperation with African countries. More importantly, aid should be linked with China's domestic economic needs by expanding the overseas market for Chinese products. In other words, aid should help economic and social development of recipient countries while providing benefits for Chinese enterprises. Accordingly, China switched from single one-

way aid provision to various forms of combining aid with trade and enterprise investment. As Sun Guangxiang, director general of the Department of Aid to Foreign Countries under the MOFTEC, pointed out, "reform is imperative in China's operations to assist foreign countries in a bid to promote direct cooperative links between Chinese businesses and those of the recipient countries. As China moves gradually in the direction of a socialist market economy, aid provision to foreign countries is facing new challenges because of changes in domestic and overseas markets" (Sun 1993). The purpose of Chinese aid policy is to increase the effectiveness of aid, help recipient countries develop their national economies, and boost economic cooperation and trade with China. By reforming the foreign aid system, the Chinese government also aims at encouraging the establishment of joint ventures and cooperative projects and readjusting the structure of aid provision.

### Perception Of the International System

The crucial source of Chinese aid policy changes came from the leaders' perception of international environment and national interest. It is particularly important to analyze leaders' perception of their surrounding environments. Based on such new perceptions, a new aid

policy agenda was laid out and necessary policy instruments sought.

### From War Inevitability to Preservation of Peace

Endowed with the new belief of pragmatism, the Chinese leaders came to redefine the domestic and international environment. The most significant change in Chinese diplomatic thinking is probably the revision of the guiding principles from confrontation under the perception of the inevitability of war to cooperation under the perception of a relative peace in the international environment.

In the 1950s, the ideological belief in dogmatic Marxism ensured the core agenda of Chinese foreign policy to achieve national unification and safeguard national sovereignty by ways of strengthening the socialist camp while opposing imperialism and supporting national liberation struggles in the colonial world. In the 1960s and the 1970s, Chinese leaders maintained that international wars were inevitable because of international struggles, especially those between the two superpowers. The perception of inevitable struggle between socialism and capitalism based on the Marxist-Leninist principles was strengthened by the Cold War confrontation between the West and the East. In his government report presented to the Fourth National People's Congress in January 13, 1975, Chinese Premier Zhou Enlai stated that contention between

the superpowers--the United States and the Soviet Union "is bound to lead to world war some day." In his address to the U.N. General Assembly on 26 September 1975, Foreign Minister Qiao Guanhua emphasized the growing danger to the world of superpower-initiated war--especially war started by the Soviet Union. He stressed the enhanced danger of a "new world war" stemming from the U.S.-Soviet world rivalry (Sutter 1986, 40). Based on such perception, Chinese foreign policy remained centered on a strategy of united front with the Third World countries to fight against the dominance of the United States and the Soviet Union. Aid policy was part of such strategy of international support to strengthen the united front.

In the early 1980s Chinese leaders shifted away from the previous view of the inevitability of war and made the judgement that the international situation is favorable for China's socialist modernization. As Deng Xiaoping stated in 1980, "in the past years, international conditions worked against us. Later when the international climate was favorable, we did not take advantage of it. It is now time to use our opportunities" (Walsh 1988, 17-18). Chinese leaders acknowledged that global bipolarity was giving way to a more complex multipolar framework which was still fraught with dangers. As Deng Xiaoping pointed out, "With the further growth of the forces in defense of peace the world over, it is possible for a fairly long period of time

to prevent the outbreak of a large-scale world war, and the preservation of world peace is hopeful" (Xue 1990, 412). As declared in the official statement made by CPC's Twelfth Congress in 1982, the world had entered an extended period of relative peace. After that Chinese leaders ceased to label any country as an "hegemonic power," and no great power was singled out as China's principal security enemy. As Deng Xiaoping said in 1980: "To accelerate China's modernization we must not only make use of other countries' experience. We must also avail ourselves of foreign funding" (Deng Xiaoping 1980, 13).

In December 1982 at the 5th Session of the 5th National People's Congress for the approval of China's new constitution, Premier Zhao Ziyang pointed out, the pivot of China's foreign policy was to

adhere to independence at all times and under all circumstances" and "to ensure the interest of maintaining world peace, developing the friendly relations and cooperation among all countries and promoting world economic prosperity (Xue 1990, 414).

As Premier Zhao Ziyang stated in his report to the fifth session of the Sixth National People's Congress on 25 March 1987, "Although the present international situation is very complicated and the factor of war still exists, the forces of peace have been growing, and through the joint efforts of the world's people it is entirely possible to attain world peace." To pursue an independent foreign policy,

China will not enter into alliances with the superpowers, and it will endeavor to establish and

expand friendly relations and cooperation with all countries on the basis of the Five Principles of Peaceful Coexistence. This policy is necessary to enable China to reach its ambitious goal of economic invigoration, but it also furnishes a powerful contribution to the cause of world peace and development (*Beijing Review*, Vol.30, No.16 20 April 1987, 20).

Stressing that China, being a developing country, belongs to the Third World, Chinese leaders maintain that unity and cooperation with the other Third World countries is the basis of China's foreign policy. However, China retreated from the previous position of being a leader of the Third World united front to fight against the United States and the Soviet Union. "China is just a member of the Third World," as Deng Xiaoping emphasized in 1982,

China cannot be the leader, because acting as the leader will breed adversity. Those who practice hegemonism are discredited, and serving as the leader of the Third World would earn us a bad name. These are not words of modesty. I say so out of genuine political consideration (Deng Xiaoping 1982, 7).

As China shifted from the advocacy of world revolution to the pursuit of an independent foreign policy of peace, it dropped almost completely the revolutionary elements in its policy statements. When Premier Zhao Ziyang visited four Latin American countries in 1985, he called for deideologizing international relations.



Perception of the International Economy

At the same time China changed its hostile attitude toward the international economic system and began to actively participate in international economic activities. Under the leadership of Mao Zedong until his death in 1976, the Chinese leaders defined the international situation in terms of its exploitative and controlling constraints from perspective of East-West confrontation. They stressed self-reliance development strategy by opposing using foreign funds and other resources which was seen as threat to nation's sovereignty and independence. In the post-Mao era, especially since the early 1980s, the international situation is being redefined as one of a complex, interdependent whole. According to Deng Xiaoping, if socialism wants to gain an advantage comparable to capitalism, it must boldly absorb and draw on all the achievements created by human society, including those of the developed capitalist countries. "China should not close doors to international exchange", as Deng Xiaoping stressed on December 21, 1988, "the Chinese government has proposed that all developing countries improve their mutual relations and strengthen mutual cooperation" (Deng Xiaoping 1988, 9).

Shifting from the previous position of attributing China's underdevelopment to world capitalism, Deng Xiaoping noted that China's past backwardness was due to its previous closed-door policy. Instead of confronting the

international economy, China began to work within it and show strong interest in linking up with the global economy through trade and economic cooperation. Chinese leaders made it clear that no country ever was to be found in the modern world that could produce all it needed, nor could there possibly be any country that possessed all the resources and sophisticated technologies needed for its own economic development. It followed that countries should help supply each other's needs and make up each other's deficiencies through economic and technological cooperation and trade contacts.

Since 1980 Chinese leaders have stressed that peace and development have become more prominent items on the world agenda, and countries in the world are attaching greater importance to their economic development. On a number of occasions, Deng Xiaoping emphasized the importance of world peace to China. In 1984, for example, Deng stated, "The aim of our foreign policy is world peace." He further confirmed, "we sincerely hope that no war will break out and that peace will be long-lasting, so that we can concentrate on the drive to modernize our country" (Deng, 29 May 1984/Deng 1994, 66-67). The criterion by which China examines and judges any other state's foreign policy action became that "whether it helps to maintain world peace, develop friendly cooperation among nations and promote world economic prosperity" (Zhao's Report on the Work of the

Government, *Beijing Review*, No. 16, April 21, 1986: xvii).

As Deng Xiaoping reiterated in 1992,

the criterion for our judgment is whether the move facilitates the development of socialist productive forces, whether it helps increase the overall national strength of a socialist country, and whether it brings about better living standards (*Beijing Review*, April 13-19 1992).

In terms of aid provision, China is still willing to render aid in various forms within its own means. But in doing so the Chinese government often encourages Chinese companies and enterprises to join the efforts to strengthen economic cooperation with their counterparts in Africa.

#### Agencies In Chinese Aid Policy Making

It is leaders' beliefs and rationality that have shaped the ends, means, and style of Chinese aid policy. However, leaders' policy making is constrained by certain administrative processes of the government where the policy actions take place. In general Chinese policy is expressed in the form of documents and leaders' speeches. The formulation process technically consists of the following stages: initiation, drafter selection, top-down directives, research and writing, revising, approval, and dissemination. It was common for all important policy documents concerning government affairs at the national level to be issued under

the name of the Central Committee of CPC, the State Council, and other agencies of the central government.

The process of aid decisions from initiation to implementation usually goes through the following steps. First, based on the request of the recipient country, the leaders of the two countries hold bilateral discussions and decide the type and scale of the aid. Then the two sides sign an agreement on economic and technical aid and cooperation. As the legal basis for aid provision, the agreement covers the aid amount, purpose of use, length of use, repayment length and method. Thirdly, the concerning ministries of the two governments hold a meeting to discuss the specific use of the aid. The recipient country expresses its intentions for the use of the aid, usually by proposing the projects they have in mind. Then the Chinese side chooses among the listed projects for further investigation and initial feasibility studies. The fourth step is that the two sides would sign a protocol of economic and technical cooperation on the specific projects based on mutual consultation and agreements. The fifth step is that the ministry in charge of aid provision, which is the MOFTEC, assigns the task of aid implementation to the company by contract based on competition. The company forms and dispatches an investigative team to conduct detailed feasibility studies and project design. During the process of these studies, the two sides would hold lower level

meetings and sign the minutes of talks. The sixth step includes the actual designing, construction, and installation of the projects. After completion, the project would be handed over to the recipient country. If technology assistance is needed, the two sides would sign a special protocol to transform the current aid project into a technology cooperation project which would be funded with the loan provided by the agreement.

Agencies of different ranks are involved in the various stages of the aid policy making process. The top leaders are usually the head of the Central Committee of CPC--the Party Secretary and head of the State Council--Premier. Other important government and judicial positions are also divided among members of the Politburo. In foreign policy making including aid policy making, the authority to some extent is delegated to Ministry of Foreign Affairs, MOFTEC, other government agencies and institutions involved in aid business.

#### The Paramount Leader and The Politburo

According to the Chinese constitution of 1982, the National People's Congress, the State Council, and the Supreme Court have the highest legislative, executive, and judicial power respectively. In reality, above these "highest" powers there is an even higher power--the paramount leader Deng Xiaoping and the Politburo of the

Central Committee of CPC. Even though Deng Xiaoping did not hold an official position in his late years, he remained the ultimate source of authority for determining the major policy issues as "the chief architect of China's reform and opening policies" (Jiang Zemin 1994, 10). The Politburo and its Standing Committee is the de facto decision-making center. The members of the Politburo consist of the top leaders of the party and the state.

Before the reform the paramount leader--Mao Zedong dominated through a vertical command system. He virtually made every important decision regarding foreign policy issues. Under Mao Zedong, Premier Zhou Enlai, in consultation with members of the Politburo and a small group of foreign affairs specialists, was primarily in direct charge of the conduct of foreign policy making.

Governmental bureaucracies, particularly the Ministry of Foreign Affairs, participated in the policy-making process in a passive manner, mainly by providing the information based on the needs of leader's consideration and principles. One case was the famous 'ping-pong diplomacy', in which China invited an American ping-pong team to visit Beijing in April 1971; this became one of the first steps toward normalization between China and the United States. Mao Zedong had initially agreed with Zhou Enlai's recommendation that American players should not be invited at that time, and relayed his decision back to Zhou Enlai. But several

hours later, Mao changed his mind and decided to invite the American team to China right away. Similar cases existed in aid policy decisions. In the next chapter we can see that Mao Zedong held the power of final decision for China to aid the huge project of Tanzania-Zambia Railway.

In the early 1980s the pattern of policy making shifted from one-person domination to so-called collective leadership. In May 1985, a circular was sent out jointly by the general offices of the Central Committee and State Council stipulating that the foreign affairs section of the State Council General Office changed its title to the office of the State Council foreign affairs small group to operate in conjunction with the office of the Central Foreign Affairs Work Leading Small Group. Later, the State Council Foreign Affairs Office became the sole staff office and the formal membership of the group was expanded to better coordinate foreign economic, military, and party relations as well as foreign propaganda and cultural exchanges. By early 1988, the leading group included State Councillor (former Foreign Minister) who was deputy director, Foreign Minister, Minister of Foreign Economic Relations and Trade, Director of the International Liaison Department, Defense Minister. The Foreign Affairs leading group holds meetings with ambassadors each summer for a wide-ranging discussion and briefing session with Beijing-based staff. Major foreign

policy issues including aid issues are discussed at this kind of meeting.

The Politburo and its Standing Committee do not have regular meetings and do not take care of concrete day-to-day affairs in policy making. While the Party and the Standing Committee(s) are primary in determining overall policy and in supervising foreign relations in the broad sense, it is the State Council and its ministries that are responsible for the daily operation of foreign policy making and implementation. The routine and concrete policy issues are decided by the State Council--the highest executive organ of state administration, or more specifically by the Ministry of Foreign Affairs and MOFTEC.

#### The Ministry of Foreign Affairs

The State Council controls several ministries that have jurisdiction over foreign policy including aid policy, most notably the Ministry of Foreign Affairs. As an implementing body of carrying out policies defined by higher authorities, the Ministry of Foreign Affairs is the major agency dealing with day-to-day functioning for foreign policy including aid policy from policy formulation to policy implementation. In fact, the Minister of Foreign Affairs himself is usually the member of the Standing Committee and plays a key role in making of foreign policy at higher levels. Besides, the bureaucrats and diplomats of the Ministry have significant



influences in shaping the policy making by their responsibility of daily functions abroad for policy recommendations and policy implementation.

The Ministry of Foreign Affairs can be divided into three components: embassies and consulates general abroad, institutions affiliated with the ministry such as Institute of International Studies, Foreign Affairs College, and agencies inside the Ministry: regional departments such as Asian, West Asian and North Africa, African, East European and Central Asian (former Soviet and East European), West European, and American and Oceanic affairs. The ministry proper has three tiers: division, department, and ministry. The division is the basic working unit, while most policy or operational recommendations are coordinated at the department level before submission for endorsement to a higher agency. Inside the Ministry staff is divided into political analysts for situation evaluation and policy recommendation and general practitioners for diplomatic case operations.

The mechanism of policy-making in the Ministry of Foreign Affairs is perhaps an archetype of a professional bureaucracy inside the Chinese government. There are clear channels and procedures for policy consultation and decision in most instances, especially on major issues. An individual's weight of influence in the policy-making process is determined by his position, which in the first

place determines his access to the necessary materials and classified information. Situation evaluation, policy proposals, and operational directives are submitted for ratification from above in the name of the institution, such as the department or the ministry. This requires consensus among the participants on the basis of frequent discussions and consultations. The consensus thus reached takes the form of a formal report or a memorandum for approval that offers the unanimous recommendation with no options offered.

For issues that are in the sole functional jurisdiction of the Foreign Ministry, the process starts with the persons in the responsible division who are in immediate charge of the matter. They form their own opinion first and discuss it with the division chiefs for an agreement. Part of or the whole division may join the discussion if necessary. A consensus draft is worked out at this level before the issue goes to the department directors. The pooling of wisdom guarantees that in most cases the suggestions of the division are accepted. The directors of the department then sign the document with some comments and hand it over to the minister or vice ministers. If the issue is of a routine or less important nature within the competence of the Foreign Ministry to ratify, the proposal enters the implementation stage when the minister approves. Otherwise, it goes to the higher level for final decision.

MOFTEC--Ministry of Foreign Trade and Economic Cooperation

The MOFTEC is the major ministry dealing with issues in China's external economic relations. When an issue falls into the jurisdiction of more than one department in the Ministry of Foreign Affairs or more than one ministry, the department or the ministry that is primarily responsible for the case is obliged to initiate interdepartmental or interministerial consultations and take up the drafting of the proposal. For example, a case of sending a medical team or agricultural expert team to an African country falls under the jurisdiction of several ministries, but MOFTEC has the primary responsibility. MOFTEC first consults the Ministry of Foreign Affairs on the political aspect--whether the request ought to be considered in view of the bilateral relations. MOFTEC then consults the Ministry of Public Health and the Ministry of Agriculture, respectively, on the technical aspects, that is, which province or provinces have the capability and should take up the job, and finally when and how the Chinese team should be sent. The recommendations are drafted by MOFTEC and are dispatched to the local authorities for implementation after the endorsement from above has been given.

The MOFTEC is responsible for the study and implementation of foreign economic and trade policies including aid policy, for the administration of foreign trade matters and other foreign economic activities

including aid projects, for laws and regulations on foreign economic relations, and for coordination of activities relating to foreign economic relations. Aid policy is considered the extension of foreign policy. Most of the concrete decisions concerning aid policy are made by the MOFTEC with recommendation and guidance from the Ministry of Foreign Affairs. Under the MOFTEC the department of foreign aid is in charge of foreign aid affairs with the following responsibility and function: 1) to prepare and organize inter-governmental economic negotiations and meetings of the mixed commissions and to sign multilateral and bilateral economic agreements on behalf of the government according to the authorization of the State Council; 2) to administer foreign aid, formulate aid plans for each recipient country, and organize the implementation of aid projects and technical cooperation; 3) to direct the works of Offices of Chinese Economic Councilor or Representative in the recipient countries.

The Department has comprehensive sector divisions and geographic divisions. The comprehensive sector divisions are responsible for formulating aid plans, collecting relevant statistics, forming budgets and final accounts, administering the foreign aid fund, organizing bidding for the aid projects. The geographic divisions are responsible for formulating aid policy and plans for the specific country of the region, preparing for bilateral negotiation

and drafting agreements, supervising the implementation of aid projects, evaluating and handing over the finished aid projects, and guiding the operation of Chinese Economic Representative Office in recipient countries. The geographic divisions include Asia Division, Asia-Europe Division, East Africa Division, Central Africa Division, West Africa Division, and America-Oceanic Division.

### Agencies Abroad

The embassy is the major agency abroad to provide information of aid needs of the recipient countries and propose policy suggestions on future aid provision based on its evaluation of existing aid projects. The Economic Councilor's Office or The Economic Representative's Office is established as one under the Chinese Embassy. The staff of this office is sent by the MOFTEC. In Tanzania, due to the importance and heavy task of Chinese aid projects, the Economic Representative's Office was set up as a separate diplomatic entity which enjoys relative autonomy from the Chinese Embassy. When I conducted my interviews at the Chinese Embassy and the Office of Chinese Economic Representative in Dar es Salaam, Tanzania, the officials there including the Ambassador and the Economic Representative emphasized that to some extent the Embassy has authority over the Office. On major policy issues, the Office still needs to consult with the Embassy and has to

abide by the general foreign policy guideline from the Ministry of Foreign Affairs. But the staff of the Economic Representative's Office are all from MOFTEC and the day-to-day operation of the Office is under direct instruction from MOFTEC.

The Office of Chinese Economic Representative in aid recipient countries has the following tasks: implementing Chinese government's principles, policies and development strategies in the field of foreign economic cooperation on the basis of equality and mutual benefit, organizing and coordinating agencies of the relevant departments of the Chinese government and Chinese enterprises and institutions that participate in aid practice abroad. The concrete tasks of the Economic Representative's Office include: maintaining contacts with relevant departments of the host country's government and institutions as well as multilateral international organizations, opening, facilitating and expanding channels for bilateral economic relations, negotiating and discussing with the relevant departments of the government of the recipient country in accordance with the authorization from the headquarters as for how to implement a bilateral economic agreement, and reporting back its implementation, participating in the relevant meetings of the joint (mixed) commissions, conducting investigations, making policy suggestions concerning the development of bilateral economic relations, safeguarding the lawful rights

of the Chinese side, directing and coordinating the important activities of the Chinese enterprises, institutions as well as visiting delegations and teams (Documents from the Office of Chinese Economic Representative in Tanzania).

The Chinese Economic Representative Office in Tanzania is under the supervision of East Africa Division of the Department of Foreign Aid at the MOFTEC. But according to the Chinese Economic Representative in Tanzania, his office usually submits reports and policy suggestions to both East Africa Division and to the Comprehensive Division Office which is in charge of general policy analysis and formulation. Such reports and policy suggestions will also be copied to some relevant divisions at Ministry of Foreign Affairs. Usually, the Economic Representative Office sends reports about the requests of recipients and proposes suggestions and options on aid provisions. Then the specific geographic division above the Office will make the suggestion on whether to accept or reject such requests from the recipients. There are meetings of directors from different geographic divisions to make the aid project plans which will then be handed over to the minister for approval. On some specific projects the MOFTEC will consult the Ministry of Foreign Affairs and other concerning ministries to finalize the plan of aid provision. After the approval at the ministry level, the aid plan should get the approval

from the State Council. In most cases, the aid project plan is final at the ministry level, in particular MOFTEC and the Ministry of Foreign Affairs that often have the authority for decision making. The State Council often gives the final official ratification.

Before 1980, the agency in charge of the actual implementation of the construction of the aid projects was the China Complete Plant Export Corporation, or COMPLANT in short. The corporation was established to conduct large scale aid provision. It liaised with the Chinese undertakers of the aid projects and guarantees the supply of the equipment and parts. After the reform which brought about division between government and the enterprises, the COMPLANT was separated from the government and became an independent economic enterprise which has the responsibility of implementation of aid projects or assigning such implementation to certain companies according to the contract. Once the contract is signed, the company is responsible for selecting and sending expert teams and staff for the contracted aid projects.

#### Interactive Learning and Aid Policy Change

During the period of Mao Zedong's leadership, the policy making in China was mainly going on behind closed doors and was controlled by very few top-level leaders like



Mao Zedong and then Premier Zhou Enlai. In the post-reform period the political system began to be decentralized, low-level officials and bureaucrats participated in a more active manner in policy process. In aid policy making, there has been increased scope and degree of participation of government and non-government institutions from both academic and practical fields. As a result, there is interaction between bureaucrats and top-level leaders, between bureaucrats and people outside the bureaucracy. Information flow and feedback from low-level bureaucrats and staff in aid business became more vibrant in the policy making process.

#### Aid Policy Change From The Top

Foreign policy behavior can be explained by decision makers' basic concerns, particularly their perceptions of national interests and means to pursue such interests in the surrounding environments. "Ideas serve the purpose of guiding behavior under conditions of uncertainty by stipulating causal patterns or by providing compelling ethical or moral motivations for action" (Goldstein and Keohane 1993, 16). A political leader's views of the world and his personal political style shape his government's strategies and styles of policy behavior.

From the 1950s to the 1970s, Chinese leaders put forward revolutionary goals designed to free humanity from

capitalist imperialist-fostered bondage. Based on such revolutionary ideology, Chinese leaders sought to build a united front with their perceived progressive forces in the Third World countries. In its foreign policy practice, China emphasized the common interests it shared together with other third world countries, African countries in particular. It was stressed that China and African countries should be united to fight against their common enemies--imperialism, colonialism, and hegemonism. The economic aid which China extended to African countries was seen as a direct contribution to the national liberation movements around the world.

The profound shift from dogmatic Marxism to pragmatism was reflected in the apparent shift in policy priorities in the leaders' mind. Deng Xiaoping made economic modernization the country's priority which has guided the aid policy making. As early as in April 1974 then Chinese Vice Premier Deng Xiaoping noted,

In achieving political independence, the people of a country have only taken the first step, they must proceed to consolidate this independence; in the final analysis, political independence and economic independence are inseparable. Without political independence, it is impossible to achieve economic independence; without economic independence, a country's independence is incomplete and insecure (Xue 1990, 323-324).

As Chinese leaders perceived the national interests in more practical and economic terms, China no longer establishes relations with other countries on political and

ideological bases. The logic that "the enemy of my enemy is my friend" no longer holds. More specifically, China no longer deals with the developing countries along the political line of building a united front against the superpower(s). In 1978, Deng Xiaoping stated explicitly that China would stop assisting communist parties in Southeast Asia. This soon brought an end to China's support for revolutionary movements around the world (Yahuda 1995, 147). As the Party Secretary Hu Yaobang later declared,

we have come to the conclusion that the right thing for us to do is to concentrate on economic development and gradually improve the people's livelihood, and on that basis, to strengthen our defense capabilities step by step (People's Daily, June 12, 1986, 1).

With economic development as the central task of the country, Chinese leaders emphasized more and more the practical results and economic efficiency in aid provision. As Huan Xiang, director-general of the Center of International Studies of the State Council, noted in 1982, "we need not only peaceful coexistence, but also friendly cooperation and mutual development" (Huan 1984, 18). Such pragmatic concern was clearly expressed in the new four aid principles declared by Premier Zhao Ziyang in Tanzania in January 1983 during his visit to Africa. As Minister of Foreign Economic Relations and Trade Chen Muhua put it in 1983, there is a need for "different forms of cooperation, and that is why China has to diversify the form of cooperation with these countries" (Kim 1984, 197). The

criterion by which China examines and judges any other state's foreign policy action is "whether it helps to maintain world peace, develop friendly cooperation among nations and promote world economic prosperity" (Premier Zhao Ziyang's Report 1986, xvii). The Chinese leaders' willingness to abandon Mao's radicalism and dogmatic Marxism in favor of pragmatism brought about the recognition that aid is a means of pursuing the national interests of the donor. Accordingly, the priority of aid policy shifted from political support for international united front to tying aid to China's own economic interests.

#### Agenda From Self-Reliance to Mutual Economic Development

Shifting from the previous position of isolation from the international economy, since the early 1980s China has actively participated in and cooperated with the current international economic system. As State Councillor Li Tieying pointed out, China is a member of the international community. "Chinese economy is an integral part of the world economy" (*Beijing Review*, June 5-11, 1995, 10). Based on this perception, China has practiced its aid operation more and more according to commonly applied international rules and standards. As Chinese Vice-Premier Li Lanqing noted,

China's reform and opening effort and modernization drive would be impossible without the cooperation of

her friends around the world. Such cooperation, however, must be based on mutual trust, consultations, equality and mutual benefit (*Beijing Review*, June 5-11, 1995, 11).

In the pre-reform period, Chinese leaders' views of international economic relations were akin to what is known as 'dependency theory', which argues that the fundamental cause of poverty in Third World countries, including China, is world-wide capitalist exploitation through an unequal international economic order. The only way to develop a national economy while maintaining political independence is via self-reliance, reinforced by developing countries' co-ordinated struggle for a new international economic order (NIEO). In 1960 the Soviet Union terminated all its economic and technological aid programs to China and withdrew all its experts from China in a very abrupt way. Ideological and political conflicts soon developed into strategic and military confrontations between the two countries. This historical experience made Chinese leaders hesitate about turning abroad for economic assistance and advanced technology. They were afraid of being dependent on foreign patron. Accordingly Chinese leaders held firmly to the concept and line of self-reliance and believed that the Chinese people should be free to develop their own way without succumbing to foreign pressure and control. It meant economic independence and the ability to determine priorities without being beholden to external benefactors.

Based on its own experiences, China strongly believes that economic independence is very important and a necessary condition for political independence. In its thinking on economic development, China emphasized self-reliance as the basic principle. The emphasis of aid provision was put on the construction of productive projects which are needed by the recipient countries for building their economic independence. Agriculture and industry were considered as the basic sectors for a country's self-sufficient economy to feed and cloth its people. Under the guideline of self-reliance, many of the aid projects were designed to supply these poor people with goods they could 'eat, wear and use' -- the perception of what self-sufficient economy and social welfare means.

China sought to help African countries to build self-sufficient economies. Their practice disproved the claims of the Europeans that rice could never be grown in Somalia, or sugar in Mali. China deliberately launched many projects in remote parts of African countries such as south-western Tanzania and north-eastern Zambia which the Europeans had neglected in colonial times. Chinese leaders tried to demonstrate that China, unlike the donors from the developed world, was prepared to make sacrifices. China volunteered to embark on projects like the Tanzania-Zambia Railway which were politically important to African governments but which more profit-minded aid donors had rejected on economic

grounds. Chinese doctors were sent to inhospitable bush or desert postings where few if any aid personnel from the developed countries were willing to work. As many African leaders pointed out, Chinese assistance was given for wholly altruistic reasons and no strings whatever were attached (Snow, in Robinson and Shambaugh 1994, 289).

Since 1980 with the changes in leaders' perceptions of a relatively peaceful international environment and the belief in the interdependence of the international economic system, China shifted away from self-reliance strategy. It has been emphasized that China is a global citizen and the world economy is an "inalienable whole". The Chinese leaders began to see that integration China's economy with global economy is critically important for China's economic development. According to foreign minister Qian Qichen, "global division of labor in industrial production is becoming a more and more important part of international cooperation" (Qian 1990). In the context of global North-South relations, China has redefined its support of the NIEO in terms of South-South cooperation or collective self-reliance. South-South cooperation and North-South dialogue were mentioned to be two interrelated aspects of the same process of transforming the old economic order and establishing a new one. At the North-South Summit Meeting on Cooperation and Development in Cancun, Mexico of October 1981, Chinese Premier Zhao Ziyang advocated active conduct

of South-South cooperation and emphasized that all the participants should be able to benefit from the cooperation and that favorable consideration should be given to the special problems facing the least developed countries. Although it still remains the largest and only non-OPEC donor from the developing world, China regards aid to developing countries as indispensable within the limits of its ability. As Deng Xiaoping emphasized,

Self-reliance in no way means 'self-seclusion.' We have always considered it beneficial and necessary for the development of the national economy that countries should carry on economic and technical exchanges on the basis of respect for state sovereignty, equality and mutual benefit, and the exchange of needed goods to make up for each other's deficiencies (Xue 1990, 324).

In July 1984 Premier Zhao Ziyang gave a speech to the thirtieth anniversary celebrations of the formulation of the Bandung-era 'five principles of peaceful coexistence'. For the first time the Chinese leader signaled China's willingness to become part of the interdependent global capitalist economic system, a willingness reflected in the PRC's entry into numerous international economic organizations. The new theoretical pronouncements of friendly neutrality accompanied efforts to improve relations with two superpowers and other developed countries simultaneously for the first time since the late 1950s.

Economic interest has also become the major concern of Chinese government in developing its relations with the developing countries. China began to establish relations



with countries of different social systems by stating that "all countries should respect each other and live together in amity regardless of differences in their social systems and ideologies" (*Beijing Review*, October 6-12, 1997, 30).

Based on the principle of equality and mutual benefit, China actively conducts extensive trade, economic and technological cooperation with all countries and regions to promote common development.

In his speech in Dar es Salaam, Tanzania on January 13, 1983, Chinese Premier Zhao Ziyang pointed out, "The basic point of departure of China's foreign policy is to strengthen China's unity and cooperation with African and other third world countries" (Zhao Ziyang 1983, 45). Such policy priority is also reflected in China's aid policy agenda which began to focus on mutual economic benefit of both China and the recipients. As CPC Secretary Hu Yaobang noted,

the common task confronting the third world countries is, first and foremost, to defend their national independence and state sovereignty and actively develop their national economies so that they can back up the political independence they have already won with economic independence. Here, mutual aid among third world countries is of particular importance (Hu, 1982, in Xue 1990, 562).

As a result, China's aid policy was changed along this line of thinking. "China is still a developing country, but we have always done our best to help other third world

countries, with whom we share a common destiny" (Hu, 1982, in Xue 1990, 562).

From May 8 to 22 of 1996 Chinese President Jiang Zemin visited six African countries. During this visit, 23 cooperative agreements in economic and technological areas were signed between China and these six countries. As Jiang proposed, China and Africa should seek mutually beneficial and common development. China will continue to provide as much unconditional government aid to African people as it can afford. Meanwhile, China will reinvigorate previously aided projects by means of joint venture and other forms of economic cooperation, and encourage Chinese enterprises to invest in Africa in the hope that joint ventures become the major form of Sino-African economic cooperation (*Chinafrica* No. 67, July 20, 1996, 6-7).

In the past Sino-African economic and technological cooperation was usually conducted between governments. In recent years Chinese government has made changes in aid operation by encouraging enterprises from both China and the recipients to cooperate. As Jiang Zemin told his African counterparts, the Chinese government will take a new interactive approach to foreign aid by encouraging Chinese enterprises to seek extensive cooperation with African nations (*Chinafrica* No.67, July 20, 1996, 8). In May 1997 during his visit to six African countries including Tanzania Premier Li Peng pointed out that strengthening unity and

cooperation with the developing nations is the basis of Chinese foreign policy. As Li Peng said, his African tour was aimed at raising the level of exchanges with African countries, increasing mutual understanding, developing traditional friendships, and expanding mutually beneficial cooperation. China and Africa have neither conflicts of interests nor any historical resentments. Both facing the heavy tasks of economic development and sharing extensive interests in international affairs, they have good economic foundations for cooperation and have large potentials for development (*Chinafrica*, No.78, 15-17).

#### Feedback and Policy Suggestion: Policy Input From The Bottom

The changing international and domestic environments in the 1970s and the early 1980s challenged the justification for continuing aid provision in previous manner. Debates and policy discussions were conducted on how to evaluate the past aid policy and how aid should be implemented in the future. Different views and opinions were expressed on aid policy changes by both decision makers and bureaucrats inside the government, and the general public as well.

As mentioned earlier, the year of 1978 was a turning point in China's history of aid provision when Vietnam and Albania, the two major recipients of Chinese aid, turned against China. With the deterioration of the relationship

between China and these two countries, China had to cease its aid to these two countries and withdrew Chinese experts in July of 1978. In the same year, China announced that a reduction in her commitments was unavoidable. The hostile attitude and behavior of the two major Chinese aid recipients, Vietnam and the Albania made many Chinese people, both inside and outside the government, to reevaluate the past experience of aid provision with recognition of shortcomings and problems in the practice of Chinese aid provision.

In the early 1980s there was increased emphasis on specialists and institutions in the process of policy making. More channels of communications were established to include the voices and opinions of experts. The top leaders delegated the task of "fleshing out" general policy guidelines as specific, concrete policy work plans and supervising their implementation. The leaders such as the Foreign Affairs Small Group invited experts to its meetings on certain issues. These experts include former diplomats and academic specialists from research institutions inside and outside the government. Although the Group is not a formal decision-making body, it does produce analyses and recommendations that can and do affect policy decisions through its link to the ultimate authority. Bureaucrats became advocates of redirection within the government. They do not make formal policy decisions but rather coordinate

policy research and experiments, channel information and draft policy papers, and make the formal assignments for actual implementation by the relevant organs.

Within the government, the Politburo, the State Council, and each government ministry has its own policy-consulting institutions. These research institutes conduct their policy analysis according to the needs and guidelines from the government agencies they report to. Their reports and study results more or less reflect the voices inside the government. The institutions of this type include the Institute of Contemporary International Relations which serves the State Council and senior leadership directly, the Institute of International Studies under the Ministry of Foreign Affairs, the Institute of International Cooperation under the MOFTEC. Another type of research institutions are those that are semi-autonomous from the government. They include institutes related to international study and area studies at the Chinese Academy of Social Sciences as well as research units at some universities. These institutes are more academically-oriented and conduct their studies with their own special areas of interests. All these institutions have organizational or private channels to various levels of authority while their opinions may differ from official lines.

In addition to "think tank", bureaucrats influence aid policy in their daily operation with their advantages in

information and expertise, particularly in the initial stage of the policy making process. Although the major function of bureaucracy is to process relevant information from the external and domestic environments, the principle of pragmatism on "seeking truth from fact" encourages exchange of opinions, speaking their own ideas. Although sensitive and strategically important issues are still handled by a small group of top leaders, policy recommendations and policy implementation have become much more bureaucratic, diffused, and complex as more players with different interests participate in policy operation.

The information on aid provision includes general economic and political conditions of the recipient countries, the relationship between these countries and China, and individual operational cases. One source is official reports from embassies and other agencies abroad and daily compilation of materials from foreign publications called Reference Materials published by the New China News Agency. Such materials include transcripts or summaries of top leaders' talks with foreign dignitaries; minutes of in-house foreign policy speeches; examinations of work; current analyses of specific situations and issues; internal surveys by the ministry's research unit with an emphasis on background and long-term perspective; memoranda of policy recommendations for approval from above; records of the views and activities of significant foreign visitors. The

other type of information is personal or semi-official with more opinions and analysis. Such materials include policy analyses and research papers produced by research institutes both inside and outside the government.

With the increasingly tolerant atmosphere, bureaucrats and experts can advance tentative policy recommendations through academic discussions or non-public debates. Around 1980, there were reports and inside discussions about the evaluation of Chinese aid projects, particularly the painful examination of what went wrong in aid provision to countries like Vietnam and Albania. In those published articles and inside reports I collected, the following comments and suggestions in aid provision:

- 1) Economic efficiency should be the major concern in aid provision. Aid amount in the past was far beyond the ability that China could afford. China should cease providing aid for large projects. Instead, major aid provision should go to medium and small size projects in production sectors. No more aid should be going to those monumental projects such as stadiums and conference centers.

- 2) Aid must also suit the needs and situation of the recipients. The forms of aid provision should be expanded from one-way Chinese. In more developed countries, China should get the recipient involved in funding the aid projects. In some other cases, China can get financial

support from some international organizations in aid provision in order to decrease the burden of Chinese side.

3) China should change the attitude of avoiding participation in management. The Chinese side should actively participate in or take over management of the aid projects to ensure the appropriate operation of the projects in a more economic way. Careful feasibility studies should be conducted before deciding and implementing the aid projects.

These evaluations and suggestions obviously reflect the leaders' perception and position in changing the aid policy. The cases and evidences of these articles and reports provided the justification for the shift in aid policy from previous political concern to pragmatic economic interests. The later policy measures to large extent were based on these suggestions made by these bureaucrats and researchers. The next chapter will use Tanzania as a case study to further explain how shift of the leaders' belief and feedback input from bureaucrats and researchers shaped the Chinese aid policy toward Tanzania.



## CHAPTER 7 CHINESE AID POLICY TOWARD TANZANIA

Tanzania has been a very important and long-time recipient of Chinese aid. It has not only received more aid from China than any other African country, but also received the largest. By 1987 there were 53 completed Chinese aid projects in Tanzania. Only eight other countries were provided with more than 20 aid projects by that time. Cambodia, the second largest recipient of aid projects from China, only received 24 aid projects provided by China. Most of the recipient countries were provided with less than ten projects by China (Bartke 1989, 13-14). Obviously Tanzania has profited the most from Chinese aid.

### Chinese Aid to Tanzania

From 1964 to June 1992, China provided aid of 1500.49 million RMB to Tanzania, including 1209.79 million RMB in loans and 290.7 million RMB in grants. Among the aid 1039.12 million RMB were spent in complete sets of projects. Until June 1992 China undertook 82 complete sets of projects with 71 finished ones in Tanzania, including 53 located in

the mainland and 29 in Zanzibar. In addition, China also undertook 57 projects of technological cooperation with 50 finished ones. In June 1992 there were 17 Chinese expert teams with 527 people in Tanzania. There were also two medical teams in Tanzania, one team of 40 persons in the mainland and another team of 21 persons in Zanzibar. In 1978 Tanzania began to repay the loan. Until June 1992 Tanzania repaid 12.01 million RMB of the loan (MOFTEC: Document on Chinese aid to Tanzania, June 1992).

According to another source, from 1964 to 1987 Tanzania received 617 million US dollars in aid from China. Among this amount, 54.7 million US \$ were provided in the 1960s, 341.3 million US \$ were provided in the 1970s, and 221 million US \$ were provided in the 1980s (see table 7-1).

Table 7-1: Chinese Aid to Tanzania 1964-1987 (in Mil. US\$)

Total	1964	1966	1970	1974	1982	1985	1987
617	45.5	9.2	270	71.3	75*	91	55*

\* Estimate

(Source: Bartke 1989, 9)

Since the early 1980s the focus of Chinese aid policy toward Tanzania shifted from political support to mutual economic benefit. Since the visit of Chinese Premier Zhao Ziyang to Tanzania in 1983, Chinese side has been actively involved in management of aid projects with strong consciousness of economic cost and benefit. In recent years

China has begun to provide Tanzania with a new form of aid such as loans with interest reimbursed by the government, mainly to support private enterprises to take-over Chinese aid projects and form joint ventures by China and Tanzania.

#### The Initial Period 1961-1968

China established relations with Tanzania (then Tanganyika) in 1961. Before Tanganyika and Zanzibar united to form the nation of Tanzania in 1964, China had given aid to both. In February 1964, China offered a grant of \$0.5 million to Zanzibar. In June 1964 China extended a loan to Zanzibar for \$14 million designated for project aid. As soon as the union of the two countries took place in 1964, China announced aid to Tanzania in the form of a \$2.8 million grant and a \$42 million loan. The loan was interest-free and repayable over a twenty-year period.

On June 16, 1964, China and Tanzania signed the first Agreement on Economic and Technical Cooperation when Tanzanian Vice President Kawawa led a good-will and economic delegation to China. This agreement stipulated that the Chinese government would provide economic and technical assistance to the Tanzanian government in the form of complete sets of projects, equipment, general goods and technical assistance that were needed by Tanzania. The total value of this assistance would add up to 10 million British pound sterling (\$28 million) which is an interest-

free loan with no conditions attached. This interest-free loan would be appropriated in accordance with project construction during the five year period from July 1, 1964 to June 30, 1969. On January 5, 1965, China and Tanzania signed a Protocol on the Agreement of Economic and Technical Cooperation of 1964. In this Protocol concrete aid projects were decided which included the Friendship Textile Factory, the Ruvu Farm, and the Ubungo Farm Tool Factory.

In June 1966, a Tanzanian Government delegation visited China and discussed additional aid. During this visit China agreed to provide a new interest-free loan of 3 million pound. According to the Minister of Tanzania's Economic Affairs, this amount of aid was designed to "initiate or bring to completion a number of development projects, most of which the British Government had promised to help build" (Ogunsanwo 1974, 198). In June 1966 China sent four patrol boats. A few months later China offered more aid in the form of a \$2.8 million gift and a \$5.6 million loan. In July 1966, the Sino-Tanzanian Maritime Transport Joint-Stock Company was established. China provided \$2.1 million in the form of a loan for Tanzania's share of the company. This is the first joint venture established by the governments of China and Tanzania.

### The Expansion Period 1969-1982

During this period China undertook some large projects, including the Tanzania-Zambia Railway (TAZARA), the largest single aid project ever done by China. During the 1970s 30 Chinese aid projects were built in Tanzania while only 6 were built during the 1960s (document from the Office of Chinese Economic Representative in Dar es Salaam). After China, Tanzania and Zambia signed the agreement on the construction of the railway in September 1967 and later three protocols in April 1968, China sent a group of technicians to conduct survey and design works. In 1969 China began to dispatch large group of Chinese technicians as well as large amount of equipment and materials to Tanzania.

The Tanzania-Zambia Railway constituted almost one-fifth of Chinese foreign aid to Africa and more than 10 percent of Chinese aid to the non-Communist countries (Yu 1980, 117). This project involved the construction of a railway covering 1,100 miles (1,800 kilometers), from the Zambian copper fields to the port of Dar-es-Salaam in Tanzania. The construction of the railway began in October 1970 and was completed by the end of 1975, a year ahead of schedule. After a period of experimental operation, the railway was handed over to Tanzania and Zambia in July 1976. "By objective standards, this railroad is an impressive accomplishment, even when compared with the foreign aid

performance of the USSR, the United States, and other industrially advanced countries" (Horvath 1976, 7).

In addition to funding the Tanzania-Zambia Railway, during this period China also provided aid to many sectors of Tanzanian economy. In the 1970s "economic development in Tanzania was almost totally in the hands of the Chinese" (Copper 1976, 99). Chinese aid focused largely on the production and infrastructure sectors of the economy as well as social welfare areas: light industry, transportation, agriculture, water control and irrigation, public health and medical care training, power and communications, sports and cultural complexes, and health. For example, in light industry, Chinese aid contributed to the development of textile Factory, sugar mills and refineries, rice mills, paper mills and printing plants, brick and cement works, and chemical plants. The Friendship Textile Factory was completed and inaugurated on July 6 1968 as then the largest fully-integrated textile mill in East Africa, producing 24 million square yards of cloth and 2 million pounds of thread for use by smaller textile mills (Ogunsanwo 1974, 199).

In the early 1970s, Tanzania and Zambia became the largest recipients of Chinese aid, accounting for over one-third of the total Chinese aid to Africa, mainly due to the construction of the Tanzania-Zambia Railway for which China extended almost \$100 million annually (North 1978, 196). The percentage of Chinese aid to Tanzania as a share of the

total aid Tanzania received, increased from 11% for 1964-68 period to 34% for 1969-73 period a (see the table 7-2).

Table 7-2: Foreign Aid to Tanzania, 1964-73  
(Tanzania shis. mil.)

	1964-1968		1969-1973		1964-1973	
	Total	%	Total	%	Total	%
Britain	48	7	--	--	48	1
U.S.A.	158	22	211	6	369	9
IDA /IBRD	167	24	504	14	671	15
Canada	12	2	202	6	214	5
Nordic	87	12	787	21	874	20
Germany	50	7	226	6	276	6
Israel	10	1	--	--	10	--
USSR & E.Europe	1	--	28	1	29	1
China	77	11	1254	34	1331	31
Others	99	12	433	12	532	12
Total	709	100	3645	100	4354	100

(Source: Shaw and Msabaha, in Holsti 1982, 57)

#### Adjustment and Reform Period 1983-Present

Since Chinese Premier Zhao Ziyang's visit to Tanzania in January 1983, more emphasis has been put on economic efficiency and benefit in aid provision. During this period Chinese aid has mainly focused on revitalization of Chinese aid projects built in the previous periods. Among all 71 finished Chinese aid projects by June 1992, only 10 new

projects were built after 1983 (Office of Chinese Economic Representative in Tanzania).

New forms of aid provision have been undertaken since the early 1980s with participation by both government agencies and private enterprises. In 1987 China began to participate in multi-national or international forms of aid provision by cooperating with the United Nations, World Bank and some other international organizations. According to a document from the Office of the Chinese Economic Representative in November 1991, China agreed, at an international meeting on multi-national cooperation held in Arusha in December 1989, to undertake 18 projects of multi-national cooperation.

China has expanded participation in management of the aid projects during this period. Before 1983 a Chinese technical expert team was very reluctant to be involved in aid project management. In 1976 TAZARA had asked the Chinese to leave behind advisers who could carry on training and help with the operation of the line. Even though the Chinese experts stayed, they did not participate in the management of TAZARA. Under the agreement of August 1983 a team of 250 Chinese experts arrived in Tanzania for restoring the performance of the Tanzania-Zambia Railway. For the first time the Chinese experts were given proper titles and given the right and authority to participate in all decision making on the operation of the railway. One of



the first acts by the Chinese expert team was to purge the TAZARA organization of incompetent managers. Soon in 1984, TAZARA reported a profit for the first time in many years.

Similar actions were also taken in the renovation of other Chinese aid projects, including Ruvu Farm, Mbarali Farm, Friendship Textile Factory. The Chinese expert team has expanded its participation in management of aid projects. In recent years, China has developed new means of economic cooperation by combining government aid provision with joint-ventures, joint management, contract projects and labor services. On March 6, 1992 China and Tanzania signed the agreement to establish a joint-owned automobile assembly factory. On May 7, 1993, this first non-governmental joint venture was put into production in Dar es Salaam.

In 1996 one Chinese textile company from Jiangsu Province signed a contract with Tanzania for jointly investing and managing the former Chinese aided Friendship Textile Factory. This is the first joint venture by the two countries that was transferred from a former Chinese aid project. According to the agreement of 1996 between China and Tanzania, Tanzania received 234 million RMB aid from China, including 33 million RMB in grants and 200 million RMB in loans with interest reimbursed by the government (Annual Chinese Government Statistic, MOFTEC). As Dr. Kipokola from Tanzania Planning Commission commented, although Chinese aid remained the same in terms of attaching

no conditions, "aid provision has become more practical with focus on mutual benefit and economic efficiency" (Interview on July 28, 1994).

### Aid Policy of United Political Front before 1983

Political consideration was the focus of Chinese aid policy toward Tanzania before 1983. The largest, most ambitious and costly Chinese aid project--Tanzania-Zambia Railway--was designed as an alternative outlet to the sea to free Zambia from dependence on its southern neighbors of Rhodesia, South Africa, and the Portuguese colonies. China undertook this project "in order to support Tanzania and Zambia in developing their economies, consolidating national independence and persevering in the struggle against imperialism and colonialism" (Xue 1990, 329). During this period the Chinese government was convinced that the strengthening of friendly cooperation between China and Tanzania "conforms to the fundamental interests of the two countries, helps promote the solidarity between them as well as among Asian and African peoples and the common struggle against imperialism, and is conducive to peace in Asia, Africa and the world" (Hutchison 1975, 257).

### The Political Basis of Aid Policy

A very prominent example in Chinese aid provision of this period is the Tanzania-Zambia Railway. Chinese leaders made the decision to build this railway determined to show China's willingness to provide large-scale aid when the World Bank, Soviet Union and other developed countries declined to do so. As Mao Zedong said, "Instead of building the railway for ourselves, we will rather build the railway for you. We will do those things that imperialists decline" (He Ying 1995, 39). By building the railway it could simultaneously relieve Zambia from the threat of economic blackmail and enable the Zambians to offer their territory as a base for national liberation movements in Rhodesia and its neighbors.

As early as 1963 Tanzania and Zambia submitted a proposal to the World Bank for financial assistance to build the railway. In 1963 the World Bank sent a mission team to take a look at the project and came to the conclusion that the railway would bring no economic benefits. In 1966 a joint team of experts from British and Canadian firms carried out a feasibility survey and concluded again that the project was not viable and would require heavy government financing. After this rejection Tanzania and Zambia sent a joint delegation to the Soviet Union to get help. Their request was also turned down.

Failing to get support from both the West and the Soviet Union, Tanzania and Zambia turned to China. Originally this action was taken as being tactical, which was regarded by the West as a "blackmail", to get the Western powers interested in the railway and secure World Bank aid (Ogunsanwo 1974, 206). According to He Ying, the Chinese Ambassador to Tanzania (1962-1969), as early as in 1964 when He Ying talked with Tanzanian Vice President Kawawa about President Nyerere's visit to China, Kawawa mentioned that Nyerere would indirectly ask China for help after his experience of being rejected by World Bank and the Soviet Union. In fact Kawawa expected that China might reject the request but asked the Chinese officials not to turn down the request right away in front of Nyerere.

No one at that time believed that China would make an offer. Even when Nyerere visited China in February 1965, his initial reaction was very much bewildered when Chinese leaders told him that China was prepared to take the railway on. At the same time Tanzania and Zambia continued to bargain with the West and hoped for Western aid to build the railway. However, this was not forthcoming. Facing the fact that they both wanted the railway very much and could not obtain funds from any other sources, Tanzania and Zambia decided to accept the aid offer from China. As Tanzanian President Nyerere stated succinctly, "it was not as if we had alternate proposals to choose from. We would, indeed,

have welcomed Western offers, but the only firm offer we had was from China" (Larkin 1971, 99). Even as late as 1967 there were reports that Zambia still hoped to evoke a competitive offer, but none was forthcoming (Larkin 1971, 100).

As soon as Tanzania made the request, China immediately agreed to fund the railway. As the result of Nyerere's visit in February 1965, China and Tanzania signed the treaty of friendship and reached a preliminary agreement on Chinese aid for the construction of the railway. The Chinese leaders saw the very important political significance of building the railway for Tanzania and Zambia in consolidating their national independence and building a united front against the imperialist West. As Mao Zedong said to President Nyerere, "Even though we have difficulties, we will still help you to build this railway" (He Ying 1995, 39). Premier Zhou Enlai further emphasized to Nyerere that the ownership of the railway would be in the hands of Tanzania and Zambia.

### Highly Centralized Aid Policy Making

During the pre-reform period, particularly the period under the leadership of Mao Zedong before 1976, decision on aid provision was made by a few Chinese leaders in a highly centralized way with very little consultation with lower level government agencies. Usually Mao Zedong and Premier

Zhou Enlai made the aid decisions with Mao Zedong having the final words.

On the decision of building the Tanzania-Zambia Railway, Premier Zhou Enlai did ask for opinion from He Ying, then Chinese Ambassador to Tanzania. He Ying first mentioned that the reason for Western rejection to build this railway was lack of economic return. He further explained that both Tanzania and Zambia were friendly to China and were very much in need of this railway mainly for the political reason to avoid dependence of Zambia's export of copper on three railways, running from Zaire to Angola, from Zimbabwe to South Africa, and from Zimbabwe to Mozambique. All three railways then were under the Portuguese and British control. Ambassador He Ying gave his opinion to Premier Zhou Enlai that from a strategic and political perspective it was necessary for China to build this railway. Premier Zhou Enlai also asked the opinion of Fang Yi, the head of CFER (Now MOFTEC). Fang Yi worried about the huge cost of building this railway which was far beyond China's ability to afford. He suggested to build some smaller projects instead.

The feasibility study for the railway was conducted right after the Chinese leaders made the decision to build the railway. After Nyerere's visit, Fang Yi, head of CFER gave the order to form a Chinese investigation team to conduct a survey for this railway project in Tanzania. In

August 1965 this team arrived in Tanzania and the investigation report was finished in the following year. According to the conclusion of the Chinese investigation team, the project required a huge financial and technical commitment and the economic cost would be extremely high.

Despite the estimate of huge cost, Chinese leaders still adhered to the decision to provide aid for the railway. Obviously the need and importance to build a railway between Tanzania and Zambia was primarily political. When Kaunda visited China in June 1967, Mao Zedong said to him that it was a duty for countries winning independence first to help those winning independence later, and for countries having won independence to help those struggling for independence. "China could not win complete liberation, unless the entire world was completely liberated, Zambia included" (*Chinafrica*, June 20, 1996, 44). Chinese Premier Zhou Enlai told Kaunda, if the leaders of Tanzania and Zambia make up their mind, China will provide aid to build this railway. On the way back to his country, Kaunda discussed the offer with Nyerere and decided to ask China to provide the aid for this railway. Shortly after Kaunda's visit to China, a joint delegation comprising officials from both the Tanzanian and Zambian governments arrived in Beijing. On September 5, 1967, China, Tanzania and Zambia signed the agreement on the construction of the Tanzania-Zambia Railway.

The formal construction of the railway began in October 1970 and was completed in June 1975. To build this railway, China sent almost one million tons of equipment, materials and goods and dispatched nearly 50,000 Chinese engineers and technicians to work on site at different time periods. This so-called "Freedom Railway" became a trunk line between Tanzania and Zambia and provides a reliable export outlet for Zambia. The railway accomplished its primary mission even during the time of construction. In 1972 when Rhodesia closed its border with Zambia to cut off the infiltration of guerrilla troops operating from Zambia, Zambia had to ship its copper ore on the part of the railway that was finished to the east coast of Tanzania. In addition, 70,000 tons of materials were being imported into Zambia by the same route. On July 14, 1976 China formally handed over TAZARA to Tanzania and Zambia after a year of experimental operation.

The railroad has been a success for China's aid diplomacy. The project has demonstrated Peking's technological capabilities and its determination to help Zambia and Tanzania struggle against the white governments of Africa (Copper 1976, 108).

Tanzania expressed gratitude and appreciation for Chinese aid with no attached conditions. As Tanzanian officials often comment, "in history, foreigners built railways in Africa for a predatory purpose. On the contrary, China is to help us to develop our national economy. They not only send fish to us, they also teach us



how to catch fish". As Tanzanian Prime Minister Edward Moringe Sokoine commented in 1978,

TAZARA is a project of a special status in Africa and in the world, of aid being given by one country to another in a pure spirit of goodwill and mutual benefit. The status of TAZARA is a victory for cooperation between third world countries (Yu 1980, 120).

Most of Chinese aid projects in Tanzania were built in the 1970s. In addition to Tanzania-Zambia Railway, some other projects were very costly in terms of financial and labor input. More prominently, the cost was even higher when the finished project ran into trouble and needed more Chinese aid to revitalize the performance after the projects were handed over to Tanzania. In most cases Chinese expert teams were sent back to Tanzania once every few years when the projects were in bad condition after the projects had been handed over to Tanzania. In the early 1980s the Chinese government tried to cut the aid expense by focusing on rebuilding previous projects without starting new ones. Furthermore, the Chinese government raised the request to Tanzania for giving more power to the Chinese expert team in management and decision making on the operation of the aid projects. The purpose of such effort was to cease the repetitive cycle of aid provision for the same aid projects. This transition of Chinese aid policy toward Tanzania was finalized in the declaration of new aid principles and some new forms of aid provision for projects in Tanzania during

the visit of Chinese Premier Zhao Ziyang to Tanzania in January 1983.

### The Interactive Process of Aid Policy Change

With the declaration of four new aid principles by Chinese Premier Zhao Ziyang in January 1983, the focus of Chinese aid strategy shifted from political support to economic cooperation of mutual benefit. In terms of aid administration, the Chinese government gave away its previous responsibility in concrete implementation of aid projects to Chinese enterprises by contract. The aid provision changed from solely one-way government operation to a business and government-enterprise partnership. This dramatic transition of Chinese aid policy occurred in an interactive process of leaders' learning under certain domestic and international circumstances.

### Pragmatism and Aid Policy of Reform Toward Tanzania

Based on pragmatism and the economic reform agenda, Chinese leaders began to rethink China's past experience of aid provision. The reform in aid provision became inevitable. The high and seemingly endless cost to construct and maintain the aid projects made good examples for Chinese leaders to justify the new aid policy of

economic cooperation toward Tanzania. After an aid project was handed over to Tanzania, the Chinese government usually had to continue technological aid to Tanzania by having Chinese expert teams stay for one term of two years or even longer.

The burden of continuing aid provision was very heavy particularly in the late 1970s and the early 1980s when most Chinese aid projects in Tanzania needed revitalization to avoid collapse. For example, right after the Mbarali Farm in Mbeya was finished and handed over to Tanzania in 1977, the Chinese began providing technological aid. By the time I visited the Mbarali farm in Summer 1994, the farm was under its eighth term of technological cooperation by Chinese expert team. After the Friendship Textile Factory was finished and put into production in 1968, it was under technological cooperation for three consecutive terms until 1976 when the factory finished its expansion project aided by China. In 1994 when I visited the factory, it was under revitalization by the Chinese expert team who helped to install new equipment and repair the old machinery. More often, the technological cooperation started when the projects ran into serious problems after the aid project had been handed over to Tanzanian side. After the project was finished and put into production in 1970, Ubungo Farm Implements Factory began technological cooperation until the factory finished its expansion in 1980. In 1983 a Chinese

expert team was sent back again to this factory. When I visited the factory in 1994, the factory was under its eighth term of technological cooperation.

Since 1983 China has shifted from previous reluctance to be involved in management toward an attitude of actively participating in management of the aid projects. The leaders justified this transition by arguing that participation in management is not intervention in the recipient's internal affairs. Instead, they saw such actions as beneficial for both sides by reducing economic cost. During the visit of Chinese Premier Zhao Ziyang to Tanzania in January 1983, both China and Tanzania agreed that new forms of aid provision should be implemented. More specifically, Chinese expert teams would be involved more actively in management and decision making on the operation of the Chinese aid projects. Later in 1983 China, Tanzania and Zambia began the fourth term of technological cooperation for Tanzania-Zambia Railway. For the first time Chinese teams began to involve themselves in management in addition to providing technical guidance and training.

No huge Chinese aid project has been undertaken in Tanzania since 1978 when China began to adjust the amount of its aid provision. The focus of Chinese aid shifted to production projects rather than projects such as buildings and sport stadiums. In August 1986 the State Councilor Chen Muhua visited Tanzania. When Tanzania requested China to

provide aid for building the Party's headquarter, Councilor Chen Muhua declined the request and mentioned that the investment is too costly to be afforded by China. Such a response was unheard during the 1960s and the 1970s. But the Chinese did agree to postpone the deadline of repaying the loan to China by Tanzania. China also expressed its willingness to provide aid to Tanzania to revitalize some former Chinese aid projects including Mbarali Farm and Ruvu Farm.

In recent years the Chinese government has enforced aid provision with concern to create an enabling environment for Chinese enterprises to get involved in aid business. In 1991 Chinese Premier Li Peng said, aid should be combined with our export with focus on mutual benefit. On September 4, 1991 Minister of MOFTEC Li Lanqing suggested, Chinese aid can be used as the investment by the recipient side while Chinese enterprise put some more investment to make the aid project become a joint ventures by the two sides. Later this policy was ratified by Premier Li Peng. On December 25, 1991, Premier Li Peng further emphasized that China should no longer provide aid for projects such as stadiums. Instead, aid should be used to support Chinese enterprises to build joint ventures in the recipient countries. Later this policy was officially declared in the speech by Minister of MOFTEC Wu Yi in February 11, 1993 at the annual

meeting of Economic Counselors from Chinese Embassies and Chinese Economic Representatives abroad.

One example of this new policy practice is Friendship (Urafiki in Swahili) Textile Factory in Tanzania. According to the inside report from the MOFTEC, during his visit to Tanzania in 1995, Vice Premier Zhu Rongji strongly pushed for actions to transform this textile factory into a joint venture. The two governments reached an agreement to transform Friendship Textile Factory into a China-Tanzania joint venture under the support of Chinese aid. This is the first Chinese aid project in Tanzania that was transformed into a joint venture. According to the agreement, the loan will be paid off by the Chinese owner of the textile instead of Tanzanian government. The deal was finalized in 1996. Under the joint venture agreement, the Chinese side holds a 51% share of the factory and controls the power of management. Friendship Textile Factory was put into production as a joint venture in April 1997. Within a year the textile began to make profit and paid more than 2 million US\$ in tax which made it the third largest taxpayer in Tanzania (Report by Economic Representative Office in Tanzania, April 1, 1998).

As we can see, the Chinese government changed both the contents and forms of aid provision based on pragmatic consideration to meet the economic needs of domestic development on the basis of equality and mutual benefit.

The government focuses on providing the legal and policy guarantees for the joint ventures and other types of economic cooperation.

#### Feedback and Policy Suggestion from Agencies Abroad

Since 1978 when the reform began in China, policy making in China has become more open and decentralized. Agencies involved in the aid business have had more power and voices in making aid policy by sending their feedback and policy suggestions to the higher authority. With the institutionalization of pragmatic belief, officials and staff inside the government have been encouraged to speak their mind and report what happens in the fields of aid business.

Compared to the period under Mao Zedong before 1976, more power in aid policy making has since the reform been decentralized to the ministry level, MOFTEC in particular. According to the officials I interviewed at the Ministry of Foreign Affairs in Beijing in 1997, their Ministry still holds the final approval in aid provision while the MOFTEC handles the concrete details of negotiations. Despite this, sometimes the suggestion for aid provision made by the Ministry of Foreign Affairs is not implemented due to a shortage of funds controlled by the MOFTEC. Currently the annual aid provision is less than 0.5% of the annual government budget. Each year the Ministry of Foreign

Affairs has the authority to distribute aid amounting to 30 million RMB which is mainly used for emergency aid. The aid provision of over 30 million RMB must receive ratification from the State Council, particularly the Premier (Interviews in 1997).

The greater influence of MOFTEC in aid policy making comes mainly from its authority over agencies in charge of aid implementation abroad. Among these agencies, the Office of Chinese Economic Representative in Tanzania is the major one whose staff are sent by the MOFTEC. This office holds the responsibility for guiding the operation of aid projects in Tanzania and has the obligation to report back to the MOFTEC concerning the current situation of aid projects and future policy options. This Office is treated as equal to the Chinese Embassy. It can represent the Chinese government to exchange notes and sign protocols with the Tanzanian government. In 1993 the Office was streamlined under the administrative reform program with a dozen staff members. Since then its responsibility has been more focused on general policy issues.

In the early 1980s, there were inside reports and public discussions on lessons of previous aid provision. According to the documents I collected from the MOFTEC in Beijing and the Office of Chinese Economic Representative in Tanzania, in the early 1980s some people argued strongly that waste of resources in the provision of aid was



significant. According to them, China itself is a developing country and needs to obtain resources for its own economic construction. They suggested that economic efficiency should be the focus of aid provision. At the same time, reports from the Chinese embassy, particularly the Office of Chinese Economic Representative in Tanzania, were sent back to the higher level government authorities about the problems of high cost and low or no economic return in some Chinese aid projects.

In these reports, it was mentioned that quite a few Chinese aid projects could not operate efficiently or even collapsed after being handed over. They concluded that the major cause of these problems lies in management, especially the fact that the Chinese expert team had no say in management. As the reports mentioned, some projects failed due to lack of detailed feasibility studies before the projects started. A saw mill in Zanzibar, built by Chinese aid in June 1975, could not produce qualified timber at all due to the bad quality of local trees. There were also projects with high cost and low benefit. For example, one stadium was built in Dar es Salaam in August 1969 with 10,000 seats. In fact this stadium was barely used. However, most project failures can be attributed to lack of qualified local technical staff and mismanagement after the Chinese expert team left. When I visited Mahonda Sugarcane Farm, most of sugarcane could not be harvested and were

wasted in the field because the sugar refinery there could not operated efficiently to process the sugarcane. Similar situation often existed in other Chinese aid projects. One tractor repair factory was built in Zanzibar during the period from August 1967 to July 1968. The local technical staff could not operate this factory properly after Chinese expert team left. The factory ran into a large amount of debt and had to close down. Another example is a tobacco technology extension station and a related cigarette factory built in 1973. Both projects collapsed because of the bad quality of the cigarette product which was mainly caused by malpractice and mismanagement of the factory.

Among the cases of failed projects, the Tanzania-Zambia Railway was mentioned as one important example. In July 1976 Chinese team left the railway in the hands of Tanzania and Zambia. Tanzanians and Zambians failed to perform the all important work of preventive maintenance, and the failure was soon apparent. Five years after the completion of the railway only thirty of the original eighty-five Chinese locomotives remained in regular service. The rest had been belatedly consigned to the workshops, or written off. Officials in TAZARA showed little gift for management. Wagons were delayed at either end of the line, and Zambian goods piled up in the congested port of Dar es Salaam. In October 1978 the frustrated Zambians began once again to send their copper exports southward through white-ruled

Rhodesia, defeating the political purpose for which the Tanzania-Zambia railway had been built (Snow 1988, 170).

Built in 1968, the Friendship Textile Factory was one of the largest employment units in Tanzania (OECD 1987, 12). It was and still is the largest textile factory in Tanzania which once owned a third of nation's weaving machines and produced more than half of the nation's spindles. As the only large factory managed by Tanzanian people themselves after 1975 this textile factory was named as "the model of self-reliance" (Shi Lin 1989, 158-159). When I visited this textile factory in 1994 it was one of the five best enterprises in Tanzania with the renewal of more than 1,000 pieces of equipment provided by Chinese aid. However, the textile factory was in very bad situation with debt of 2,000,000 million Tanzanian Shilling (18 million US dollars) and only 20-30% utilization of capacity. According to the Chinese Economic Representative, Mr. Fu Zhongxin, negotiations about the textile factory were under way to establish a joint-venture between China and Tanzania. The Office of Chinese Economic Representative tried very hard to push this new endeavor (Interview conducted on August 5, 1994).

In addition to mentioning the problems of Chinese projects, the reports from Chinese expert teams and the Office of Chinese Economic Representative all concluded that the inefficiency of the textile factory was caused by

mismanagement. The reports proposed to give more management power to the Chinese side to control the operation of the factory. In summer 1994 the Chinese Economic Representative Mr. Fu Zhongxin told me, "the failed Chinese aid projects are mainly caused by management problems. The key is to let our expert team hold the power in management". Although at that time no Chinese aid projects in Tanzania were transferred into joint ventures in which the Chinese team held the decision power, the Office tried very hard to persuade the sectors concerned in both China and Tanzania to move toward the establishment of joint ventures. The Friendship Textile Factory was selected as a possible option. (Interview on August 5, 1994). Later such proposals from the Office were subsequently ratified by higher level leaders of the two countries. During the visit of then Chinese Vice Premier Zhu Rongji, China and Tanzania reached an agreement to transform Friendship Textile Factory into a China-Tanzania joint venture. With such efforts, this factory was later taken over by a Chinese textile company to become a joint venture in 1996. This is the first experiment in Tanzania to transfer a former Chinese aid project into a joint venture.

### Tanzania's Reform and Practice of Chinese Aid Policy

The progress of Chinese aid policy implementation has been closely related to the attitudes and policy actions taken by Tanzania. As Tanzania started the economic reform in the late 1980s, the new liberalized economic policy, and the investment policy in particular, provided favorable conditions for getting more Chinese enterprises involved in aid project operation in the form of joint management and joint ventures.

### Efforts to Transform Aid Projects into Joint Ventures

When China began to request more power in the management of aid projects in the early 1980s, the Tanzanian side, particularly the agencies that were in charge of those projects, were reluctant to give up their power. For example when I visited some Chinese aid projects including Friendship Textile Factory and Mbarali Farm in Tanzania in 1994, negotiations for joint ventures in these projects had not succeeded. According to officials and staff from both governments in China and Tanzania, the major obstacle came from Tanzanians who refused to give up their power in decision making and management in operating the projects.

When I visited Tanzania in 1994, the Mbarali Farm which was under renovation by Chinese aid. The negotiation was held about the possible options of transforming the farm

into a joint venture. The division between the two sides was very obvious particularly on the sharing of management power and profits. According to my interviews and the data I collected from the farm, in November 1993 a talk was held about the joint venture plans. In their plan, the Chinese expert team strongly demanded control of management and decision power which was considered the very basis for establishment of the joint venture. As the head of the Chinese expert team told me, the reason that the Chinese demanded a majority share was for the sake of improving the performance of the farm. Based on their conclusion that mismanagement was the major cause of the farm's bad performance, the Chinese team asked for the majority shares (51%) of property and investment for the purpose of obtaining control of the farm's management.

The negotiations did not succeed because Tanzania declined the Chinese's request and responded that management and decision power is a sovereignty issue which could not be negotiated. Besides the Chinese side was more interested in joint ventures for those profit-making units of the farm such as mill, workshop, and chicken farm. In the case of the Ubungo Farm Implements Factory, the Chinese only wanted a partial joint venture with the factory and did not want to take care of the debt and the whole employers of the factory. Tanzania wanted complete joint venture in which the Chinese partner would take care of the debt and all

employees. The negotiation did not proceed further. Obviously the profit-return has become the major concern from the Chinese side in deciding whether to undertake a project.

#### Tanzania's Reform and Implementation of Chinese Aid Policy

Although China adheres to its aid principle of mutual benefit, China never forced Tanzania to accept its way of doing aid business when Tanzania did not agree or accept. Under such circumstances, support and cooperation from Tanzanian side is very essential for putting the new Chinese aid policy into real practice. As the head of the Chinese expert team in Mbarali Farm said, even though we have our opinions and suggestions concerning how to operate the farm, we always respect the opinions and position of the Tanzanians. We never force them to accept our opinions (Interview of August 1, 1994). With no progress in transferring Mbarali Farm into a joint venture, the technological cooperation was extended for the farm at that time. Tanzanian officials also agreed that there is frank and friendly dialogue between China and Tanzania on issues of aid provision.

In the late 1980s Tanzania started its economic structural adjustment program imposed by the World Bank and the IMF to liberalize the economy. Under the new policy environment Tanzania gradually accepted the Chinese

propositions on implementing new forms of Chinese aid. With the declaration of the Investment Act in 1991, Tanzania began to encourage Chinese enterprises to take over its state-own enterprises and Chinese aid projects. According to this Investment Act, foreign enterprises or joint ventures can enjoy tax-free status for five years and send 50% of their profit in foreign currency out of Tanzania. Tanzanian officials further explained to Chinese officials that some favorable policy could be made to attract Chinese enterprises. At the same time Tanzania began to accept the suggestions from Chinese side to transform those aid projects, most of which were state-owned enterprises, into joint ventures by the enterprises of the two countries. In January 1991 the Tanzanian Prime Minister met with the Chinese Economic Representative and expressed that "Tanzania welcomes Chinese enterprises to invest in Tanzania by establishing joint ventures" (Document from the Office of Chinese Economic Representative in Dar es Salaam). In 1992 Tanzanian President Mwinyi visited China and hoped that the Chinese government could encourage Chinese companies to invest in Tanzania. The leaders of both countries agreed that Tanzania is better situated to benefit from Chinese technology than it is from the West, especially considering the strings normally attached by Western trade and aid.

During his visit to China in 1992 President Ali Hassan Mwinyi highly praised Chinese aid projects, the Tanzania-



Zambia Railway in particular. As he pointed out, the railway

has become a road of utmost importance for southern African countries. This year, most of the goods and food for the relief of the worst drought in this century were transported along this railway to affected countries (*Chinafrica* No.22, October 1992, 24).

At the same time Mwinyi expressed hope for investment from China.

I think that economic cooperation, both with state-owned and private enterprises, will be paid more attention as well as political and cultural cooperation. We are not only friends in political affairs but collaborators in the economic field as well (*Chinafrica* No.22, October 1992, 24).

During his meeting with Chinese official on June 14, 1995, Tanzanian President Mwinyi said, "as Sino-Tanzanian relation has entered a new stage of economic cooperation, we should encourage more Chinese enterprises to establish joint ventures in Tanzania". When Chinese Vice Premier Zhu Rongji visited Tanzania later that year, the two governments reached a preliminary agreement on transferring Friendship Textile Factory into a joint venture. On March 12, 1996 a memorandum was signed between the two governments. On June 16, 1996 the Tanzania National Congress approved the agreement and memorandum. On the same day, the two governments signed an agreement that China would provide Tanzania 100 million RMB loan with discount interest and a 30 million RMB grant. On June 17, 1996 the Tanzanian Ministry of Industry and Trade signed a contract with a Chinese enterprise to jointly manage the Friendship Textile

Factory. On April 1, 1997 the factory was formally put into operation as a joint venture (Report from the Office of Chinese Economic Representative in Dar es Salaam, April 1, 1998).

As Tanzanian Ambassador to China Seif A Iddi emphasized,

Tanzania is also undertaking reforms, which will intrinsically have a bearing on the furtherance of relations between China and Tanzania. This is because our economy is now welcoming foreign investment, especially from our long-standing friends in the developing world (*Chinafrica*, No.77, May 1997, 19).

In his talk with Tanzanian President Mkapa, Premier Li Peng said, "With the changed circumstances, it is necessary to adjust both the contents and forms of bilateral cooperation to meet the needs of the times" (*Beijing Review*, June 9-15, 1997, 12). Tanzanian President Mkapa expressed that the Tanzanian government welcomes Chinese enterprises to take part in Tanzania's economic development. He even suggested the establishment of solely Chinese-owned ventures in Tanzania. Tanzania would revive and develop those cooperative projects through the promotion of a new type of relationship of equality and mutual benefit (*Chinafrica* No. 78, June 1997, 15-16).

The relations between Tanzania and China have been very stable and friendly. As Tanzanian Ambassador to China Seif A Iddi said, "Common histories of tremendous suffering under colonialism and foreign aggressors have generated mutual

sympathy and support and deeply rooted relations" between the two countries (*Chinafrica*, No.77, May 1997, 19). The good relationship between the two countries creates a favorable environment for the smooth transition of Chinese aid policy toward Tanzania. The adjustment and new forms of aid provision have always been practiced on the basis of friendly negotiation and mutual understanding between the two sides. As a Tanzanian official said, China is very easy to talk to and very efficient in getting things done without going through complicated bureaucratic processes. "It is very easy and simple to deal with the Chinese government. There is not much paperwork. Once the process get to signing the protocol, it is all set" (Interview with Dr. Kipokola, Tanzania Planning Commission, July 28, 1994).

The interactive learning model is applied to explain the process of Chinese aid policy changes in Tanzania. The changes of Chinese aid policy toward Tanzania resulted from the shift of Chinese leaders' beliefs toward pragmatism and their policy priority to economic development. Being an important recipient of Chinese aid, Tanzania's experience of Chinese aid significantly influenced the learning process and aid policy making of Chinese leaders. Such policy changes occurred in an interactive learning process in which Chinese leaders' pragmatism and perception interact with feedbacks from lower level government agencies and with the policy changes in Tanzania as well.

## CHAPTER 8 CONCLUSION

In this dissertation I studied changes in Chinese aid policy by developing and applying the interactive learning model. The author tried to demonstrate that the transition of the international system, domestic economic and political reform in China, and Chinese leaders' belief and perceptions have combined and interactive effects on changes of Chinese aid policy in the early 1980s. It is the shift of Chinese leaders' belief from dogmatic Marxism toward pragmatism that directly drove Chinese aid policy changes in the early 1980s.

An interactive approach, which takes into account the international environment, domestic economic and political changes, and political leaders' belief and perceptions, is what I consider the best approach to the study of Chinese aid policy change. This multi-level framework of interactive learning perspective intends to offer a synthesis of the dynamics of policy making by recognizing the interaction of leaders' belief and perceptions with the environmental factors of domestic and international arenas.

In this study, learning is defined as a shift and reassessment of fundamental beliefs. In policy analysis

learning involves a restructuring of belief system in directing policy makers to address major policy issues. Beliefs and their changes were formed under the particular circumstances of the time period covered here. Once formed or shifted, then beliefs provide the lenses to interpret the reality and direct individuals' policy decisions. Based on their beliefs, leaders decide the policy goals and means to achieve such goals. The question of learning in policy making is directly related to how decision makers perceive the environments and to whether previous or current policy solutions achieve the policy objectives. The relevance of all situational factors depends largely upon the beliefs, perceptions, and purposes of individual policy makers. In the case of Chinese aid policy, the shift of Chinese leaders' beliefs toward pragmatism was crucial in guiding the direction of aid policy changes toward a new agenda of aid policy for mutual economic benefit.

To avoid the confusion of different types of learning, this study applied Haas's differentiation between adaptation and learning. Adaptation refers to the fact that one often adapts or changes one's behavior in response to new events without questioning the basic beliefs and underlying values. By adaptation the ultimate purpose of the organization is not questioned and emphasis is put on means rather than on ends. By learning, behavior changes as actors question the basic beliefs and reexamine the fundamental values and

perceptions of the environmental conditions and current policies to address them.

Policy changes can be a process of adaptation which brings about policy decisions under certain environmental circumstances without fundamental shift in policy priority and objectives. But policy changes can also result from learning with shift in basic beliefs and values underlying the organizational goals and means. In the case of Chinese aid policy, before 1982 the policy making can be seen as a process characterized by no learning and very limited adaptation. The aid policy transition after 1982 is the result of a learning process with fundamental shift of belief from previous dogmatic Marxism to pragmatism with emphasis on economic developmentalism.

Chinese aid policy before 1982 was made on the basis of political considerations to strengthen the united front with the developing countries around the world. Adhering to Marxism, aid was provided to countries that shared the same or similar ideological and political positions with China on the international stage. Tanzania was such a country and it received large sums of aid from China. First of all, Tanzania did not form alliance with either of the two superpowers--the United States and the Soviet Union--that China confronted as its enemies. China also considered Tanzania as an important base to support the national liberation movements in Southern Africa. The Tanzania-

Zambia Railway was built on the basis of such strategic and political considerations to confront the West and strengthen the united front against the superpowers that were considered by China as representatives of imperialism and colonialism. Secondly, Tanzania based its national development strategy on socialism. Ujamaa was implemented in the 1960s and the 1970s with emphasis on self-reliance. China provided aid to Tanzania to support its economic development efforts by way of self-reliance which was also the principle advocated and implemented in China's own economic development strategy. Large amount of aid was provided for complete sets of projects in many production areas of Tanzania, particularly industrial and agricultural fields, to help to build up an independent national economy in Tanzania.

During the 1960s and the 1970s, Chinese aid was provided mainly on the basis of political considerations and the self-reliance development doctrine under the rubric of "proletarian internationalism" with strong idealist elements. Little attention was paid to economic cost and benefit. Emphasis on the fight against colonialism, hegemonism and imperialism conflicted with standards of economic efficiency and even resulted in waste of economic resources. A typical example is the funding for the construction of Tanzania-Zambia Railway. When the World Bank refused to provide financial aid for a railway linking

landlocked Zambia to the seaports of Tanzania, China voluntarily offered the technical and material assistance to build the railway which became the monument of Chinese aid. In a number of cases, aid decisions were made even at an obviously very high economic cost. The emphasis on self-reliance was reflected in the provision of Chinese aid in productive and infrastructure sectors such as agriculture, industries, transportation, education of the recipient countries.

Before 1982 the Chinese aid policy was made and adjusted without learning or without changes in fundamental belief in socialism and the self-reliance principle. Conditions at the time were not favorable to learning. The decision making system was highly authoritarian, personal and centralized. Major decisions were made by Mao Zedong and a few top-level leaders without consultation with lower level officials. Very little evaluation and feedback was conducted in the field of aid practice by the agencies abroad. Policy suggestions could not be made from the bottom to the top due to the highly restrictive political conditions. Policy making was the prerogative of a few leaders behind closed doors. The ministries and agencies basically followed the guidelines from the top and implemented the policies made at that level.

The changes of Chinese aid policy in the early 1980s occurred as the new political leadership after Mao Zedong's



death began reassessing the international and domestic environments. As China broke the isolation from the rest of the world and improved its relations with the United States and the Soviet Union in the 1970s and the early 1980s, Chinese leaders perceived that the international environment was no longer threatening to China. A crucial milestone was reached with the declaration by Deng Xiaoping in the early 1980s that the world had entered an extended period of relative peace. With the changing international system, the understanding of the nature of power was undergoing significant changes. The importance of military capability was giving way to economic strength as the major component of national power. Economic strength and the scientific and technological underpinnings of an economy were becoming increasingly important to a state's power in the changing international system. Combined with the focus of the domestic agenda on economic modernization, more and more considerations were given to economic benefits in aid provision. The domestic reform with a shift of top priority to economic development also transformed China's focus of aid policy from political support to economic benefits.

For China this was a major transformation of aid policy which involved changes in organizational norms by setting new priorities to correct the mismatch between ends and means. As leaders of the government questioned the previous beliefs and shifted to new ones, they arrived at a new

conceptualization and understanding of the problems and hence developed different policy solutions to address them. This policy transformation can be described as learning. Equipped with a more pragmatic outlook, leaders used new lenses to interpret international and domestic situations and identify the national goal and policy priority in response to their perceived reality. The primary goal of Chinese foreign policy was now to serve the interests and needs of domestic economic development by promoting a peaceful international environment and expanding relations with countries regardless of economic or political system. Accordingly, as part of the new economic diplomacy, aid policy shifted from ideological and political considerations to more pragmatic mutual economic cooperation. The Chinese leaders reevaluated the experiences of previous aid provision and then modified their policy actions according to their interpretation of how previous efforts failed.

Policy changes have to be put into practice through particular organizational process by people of different ranks inside the government. Policy process is basically a cycle of three steps from policy making based on beliefs and perceptions via policy implementation to evaluation of policy result, then back to policy making again. What happened in China since the early 1980s was the gradual institutionalization of the mechanisms for a more evaluative type of policy-making. The learning that took place first

paved the way for a process in which systematic adaptation could take place in the light of specific policy experiences. This also meant a more broad-based and decentralized policy process in which voices of administrators both in ministries and in Chinese embassies overseas were being considered. These changes manifested themselves in new organizational policy guidelines, routines and procedures. Thus, individual learning was translated into organizational learning which in turn brought policy changes into practice. Moreover, the decentralized government decision making process motivated and justified aid policy changes by concrete suggestions for further aid policy changes.

This new learning environment was created because of the leaders' commitment to rational decision-making by opening doors to feedbacks and policy suggestions from research institutes and agencies in aid practice. With a more pragmatic and open political atmosphere in combination with a decentralization of the political system, bureaucrats and experts both inside and outside government increased their scope of participation in the policy making process. On the one hand, more authority in policy making was decentralized to lower level agencies at the ministry level. Top level leaders were more likely to hear and depend on the information and feedback from below. On the other hand, officials and bureaucrats were encouraged to speak their

mind under the principle of "seeking truth from facts." Officials at ministry level had the power to make decisions on concrete policy issues while the top-level leaders confined themselves to overall policy and supervise policy making in a broad sense. The bureaucrats and experts engaged in aid policy making by providing information, evaluation and feedback as well as their own opinions and suggestions on future policy options. They influenced the policy making either through their bureaucratic positions or through their access to and connections with top level leaders.

With a more open policy making system, since the early 1980s there have been a vibrant flow of information and feedback from low-level bureaucrats and staff in the aid business to the higher level government agencies. As a result, there is more interaction between bureaucrats and top-level leaders as well as between bureaucrats and people outside the government. With increasing participation from agencies of different ranks in the government, learning has become possible in an organizational sense. From the bottom, officials and experts from research institutes and aid agencies provide evaluation and feedback of aid provision practice, and furthermore, give policy suggestions and consultations through direct and indirect channels. Such policy input is particularly influential in the initial stage of policy making. Chinese leaders' determination to

make changes in aid policy has to a considerable extent been derived from information provided and assessed by the officials and bureaucrats under their leadership. I have demonstrated in this study, for example, how aid policy towards Tanzania has continuously evolved in the past fifteen years as a result of evaluation of experiences made by Chinese officials working on the ground in that country. More specifically, as the aid policy has become more focused on operationalizing the concept of mutual benefit by proposing the establishment of joint Chinese-Tanzanian ventures, it is the reluctance of host country officials rather than lack of learning on the part of the Chinese side that explains the lack of progress.

By emphasizing that the aid provision should be based on equality and mutual benefit and give full play to the advantages of both sides, the government now actively encourages Chinese enterprises to participate in the aid operation by seeking extensive cooperation between the enterprises of China and the recipient countries. Aid provision has changed from being a one-way governmental operation of political support to diversified forms of aid with participation of enterprises. With the evolution of Chinese aid in this direction it has become more like other international aid. Although this "mainstreaming" of Chinese aid has been determined by a variety of domestic and international factors, there is little doubt that the

particular lessons learnt in Tanzania, the largest recipient of Chinese aid in Africa, have been very important in fostering this process. Much have been at stake for China in Tanzania and with a more evaluative policy making system in place, the experience there has featured prominently in Chinese aid policy deliberations. In sum, the Chinese aid policy changes occurred as the result of an interactive learning process in which leaders' belief in pragmatism interacted with the domestic and international environmental factors with information and feedback from officials and experts in aid agencies. While there was little or no interactive learning prior to the 1980s, the policy making process with regard to foreign aid in the early 1980s began to provide opportunities for such learning and the adaptation associated with it. The interactive learning model adopted for this study has demonstrated its usefulness by providing insights into how policy-making first changed in the early 1980s and later was institutionalized in ways that allowed feedback and evaluation and thus more effective policies.

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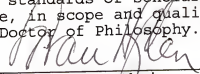


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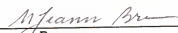
Menghua Zeng was born in Fujian Province of China in 1963. She received her Bachelor of Law in 1983 and Master of Law in 1986 from Peking University in China. From 1987 to 1988 she was Ford Foundation Scholar at the Institute of International Studies, University of California, Berkeley. Between 1986 and 1993 she worked as a research associate at the Chinese Academy of Social Sciences in Beijing, China. She undertook research projects in China, Africa, and the United States. Her publications covered areas of international development, foreign aid, international economic relations, and African studies in particular.

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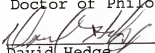
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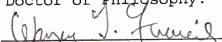
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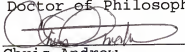
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This dissertation was submitted to the Graduate Faculty of the Department of Political Science in the College of Liberal Arts and Sciences and to the Graduate School and was accepted as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

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